

BAYONES ECA LIMITED

(incorporated with limited liability in Ireland with registration number 515235)

Initial Principal Amount	Interest Rate	Notes Final Maturity	Issue Price
EUR 60,300,000	Zero Coupon	2022	100 per cent.

On 21 May 2013 (the "**Closing Date**"), Bayones ECA Limited (the "**Issuer**") will issue the EUR 60,300,000 Zero Coupon Notes due 2022 (the "**Notes**").

This Prospectus has been prepared for use only in connection with the Notes issued by the Issuer. Capitalised terms used in the Prospectus shall have the meanings given to them in the Prospectus (which are defined on the relevant page(s) of this Prospectus as set out in "*Index of Defined Terms*").

The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). References in this Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial institutions. There can be no assurance that any such listing will be obtained, or if obtained, maintained.

This Prospectus has been filed and approved by the Central Bank as required by the Prospectus Directive (2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. The Prospectus approved by the Central Bank as required by the Prospectus Regulations will be filed with the Irish Companies Registration Office in accordance with Regulation 38(i)(b) of the Prospectus Regulations.

The Notes will be direct and limited recourse obligations of the Issuer secured by certain assets of the Issuer.

The Notes are expected to be rated A3(sf) by Moody's Investors Service Limited ("**Moody's**"). Credit ratings otherwise included or referred to in this Prospectus have been issued by amongst others, Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**"), Fitch Ratings Limited ("**Fitch**") and Moody's Investors Service España, S.A. ("**Moody's Spain**" and together with S&P, Fitch and Moody's Spain, the "**Rating Agencies**"), each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). References have also been made to credit ratings issued by Standard & Poor's Rating Services, which has not been registered under the CRA Regulation.

The Notes will be issued in bearer form ("**Bearer Notes**") without receipts, coupons or talons and initially represented by interests in a temporary global note (the "**Temporary Global Note**"). The Temporary Global Note will be exchangeable not earlier than 40 days after the Closing Date (and upon confirmation of non-U.S. beneficial ownership) for interests in a permanent global note (the "**Permanent Global Note**"), which may be deposited with a common depository on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Beneficial interests in the Temporary Global Note may be exchangeable for Bearer Notes in definitive form ("**Definitive Notes**"). The Permanent Global Note will be exchangeable for Definitive Notes only in the limited circumstances set out in such Permanent Global Note.

The Notes have not been and will not be registered under the United States Securities Act 1933, as amended (the "**Securities Act**") or the securities laws of any other jurisdiction and include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to any U.S. persons (as defined in Regulation S under the Securities Act). Accordingly, the Notes are being offered and sold only to non-U.S. persons outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"). See "*Sale and Purchase*" below.

If any withholding or deduction for or on account of tax is applicable to payments on the Notes, such payments will be made subject to such withholding or deduction without the Issuer being obliged to pay any additional amounts as a consequence. See "*Irish Taxation*" below.

Investing in the Notes involves risks - Please see "Risk Factors" beginning on page 6 to read about certain factors you should consider before buying any Notes.

Arranger

Banco Santander S.A.

The date of this Prospectus is 20 May 2013

This Prospectus is a prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**")) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area.

The principal source of funds available to the Issuer for the payment of amounts due under the Notes will be collections of principal received by the Issuer in connection with a EUR 60,300,000 loan (the "**Issuer/Borrower Loan**") to be advanced to Banco Santander, S.A. (the "**Borrower**") by the Issuer in its capacity as lender (the "**Lender**") under a credit facility agreement (the "**Issuer/Borrower Loan Agreement**") dated on or around 21 May 2013.

Pursuant to the terms of the Collateral Security Agreement, the Borrower has irrevocably undertaken to assign by way of security in favour of the Lender all its rights and interests in and under (i) a certain export loan (the "**ECA Loan**") originated by the Borrower, (ii) a certain guarantee (the "**ECA Guarantee**") granted in respect of such ECA Loan by an export credit agency (the "**ECA**" and, in its capacity as guarantor of the ECA Loan, the "**ECA Guarantor**") pursuant to which the ECA Loan will be fully or partially guaranteed in respect of the payment of interest and the repayment of principal by the ECA Guarantor; (iii) any other ancillary rights relating to such ECA Loan (the "**Related Security**"); and (iv) amounts standing to the credit of the Collection Account (collectively, the "**Assigned Assets**") as security for its obligations under the Issuer/Borrower Loan Agreement (see further "*Summary of Principal Documents - Collateral Security Agreement*"). On enforcement the Borrower has agreed to transfer pursuant to a transfer certificate in full all rights and obligations in respect of the ECA Loan, the ECA Guarantee and the Related Security to the Issuer.

The Notes will solely be obligations of the Issuer and will be secured in favour of the Security Trustee under an English law deed of charge (the "**English Deed of Charge**") and an Irish law deed of charge (the "**Irish Deed of Charge**", and together with the English Deed of Charge, the "**Deeds of Charge**"). The security granted by the Issuer in favour of the Security Trustee pursuant to the Deeds of Charge in respect of the Notes will include (a) an assignment by way of first fixed security of all of the Issuer's rights, title and interest in, to and under the Agency Agreement (including, without limitation, the rights of the Issuer in respect of all funds and assets held from time to time by any Agent for payment and/or delivery in respect of amounts due under the Notes or otherwise in relation to the Notes), (b) such security over the Issuer's rights, title and interest in, to and under the other Charged Agreement(s) (which include(s) the Bank Account Agreement, the Assigned Assets Back-Up Servicing Deed, the Cash Management Agreement, the Borrower Security Documents and the Issuer Security Documents) and (c) such security over the Issuer's rights, title and interest in and to its bank accounts (including, without limitation, the Issuer Main Account established pursuant to the Bank Account Agreement (but excluding the account of the Issuer opened on or prior to the Closing Date for the sole purpose of crediting the Issuer Profit Amounts and debiting any corporation tax liability of the Issuer, the "**Issuer Domestic Account**")) and all amounts standing to the credit thereof and the debts represented thereby. The claims of each other Secured Creditor will also be secured by the relevant Charged Property pursuant to the Deeds of Charge.

The Secured Creditors will also be secured under: (i) the English Deed of Charge by a first floating charge governed by English law over the whole of the assets and undertaking of the Issuer and (ii) the Irish Deed of Charge by a first floating charge governed by Irish law over the whole of the assets and undertaking of the Issuer, in each case other than the Issuer Domestic Account, each as further described in the English Deed of Charge or the Irish Deed of Charge, as the case may be.

In addition, the Security Trustee will have the benefit of a trust over the Assigned Assets declared by the Issuer in favour of the Security Trustee (who in turn will hold such interest on trust for the Secured Creditors) pursuant to the terms of an English law declaration of trust (the "**Declaration of Trust**").

The ranking of the relative claims of the Noteholders and each other Secured Creditor over the Charged Property and Trust Property will be in accordance with the applicable Priority of Payments.

This Prospectus has been prepared, *inter alia*, for the purpose of providing information with regard to the Issuer and the Notes. The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information set out under the heading "*Description of the Borrower*" has been provided to the Issuer by the Borrower. The Borrower takes responsibility for such information and, to the best of the knowledge and belief of the Borrower (having taken all reasonable care to ensure that such is the case), the information set out under this heading is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has only made very limited queries with regards to the accuracy and completeness of the information under the section entitled "*Description of the Borrower*" in this Prospectus (the "**Third Party Information**"). This information has been accurately reproduced from publicly available information identified by the relevant entities and, so far as the Issuer is aware, no facts have been omitted which would render the reproduced information inaccurate or misleading. Prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquires in respect of, the accuracy and completeness of the Third Party Information.

None of the Arranger, the Security Trustee, the Note Trustee, the Borrower (other than the section headed "*Description of the Borrower*") or any Other Party have or will have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is or will be made and no responsibility or liability is or will be accepted by or imposed on the Arranger, the Security Trustee, the Note Trustee, or the Borrower (other than the section headed "*Description of the Borrower*") as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer.

None of the Issuer, the Arranger, the Security Trustee, the Note Trustee, the Borrower, the Beneficiary Agent, the Loan Agent or any Other Party accept responsibility to investors for the regulatory treatment of their investment in the Notes (including but not limited to whether the

transaction is or will be regarded as constituting a "securitisation" for the purposes of the EU Capital Requirements Directive (Directive numbers 2006/48/EC and 2006/49/EEU, as amended, including by EU Directive 2009/111/EC) and the application of Article 122a to such transaction) in any jurisdiction or by any regulatory authority. If the regulatory treatment of an investment in the Notes is relevant to an investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator.

No person is, has been or will be authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Security Trustee, the Note Trustee, the Borrower or any Other Party.

Neither this Prospectus nor any other information supplied in connection with the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation or as constituting an invitation or offer by the Issuer, the Arranger, the Security Trustee, the Note Trustee, the Borrower or any Other Party that any recipient of this Prospectus or any other information supplied in connection with the Notes, should subscribe for or purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Borrower, the underlying borrower under the ECA Loan (the "**ECA Borrower**"), the ECA Guarantor or any other of the obligors under the relevant Assigned Assets or any Other Party and the past and possible future performance of any security. (See "*Risk Factors*" if any below for a discussion of certain factors to be considered in connection with an investment in the Notes.)

The delivery of this Prospectus or the offering, sale or delivery of any Notes shall not at any time or in any circumstances imply that the information contained herein or therein concerning the Issuer is correct at any time subsequent to the date hereof or thereof (as the case may be) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Security Trustee, the Note Trustee, the Borrower and the Other Parties expressly do not undertake to review the financial condition or affairs of the Issuer or any obligor under the ECA Loan or ECA Guarantee during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer, the Borrower, the ECA Borrower, the ECA Guarantor and any other obligors under the relevant Assigned Assets or any Other Party when deciding whether or not to purchase any Notes.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arranger, the Security Trustee, the Note Trustee, the Borrower and each Other Party do not and will not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been or will be taken by the Issuer, the Arranger, the Security Trustee, the Note Trustee, the Borrower or any Other Party which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States (or to or for the account or benefit of U.S. Persons) and the European Economic Area (including the United Kingdom and the Kingdom of Spain) (see "*Sale and Purchase*" below).

The Notes have not been, and will not be, registered under the Securities Act, as amended or the securities laws of any other jurisdiction. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. The Notes are being offered for sale outside the United States in accordance with Regulation S under the Securities Act. See "*Sale and Purchase*" and "*Notice to Investors*" below.

All references in this Prospectus to "**U.S. dollars**", "**USD**" and "**\$**" are to the currency of the United States of America, those to "**Sterling**" and "**£**" are to the currency of the United Kingdom and those to "**Euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

The language of this Prospectus 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 Prospectus.

An investment in the Notes does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Central Bank. The Issuer is not and will not be regulated by the Central Bank arising from the issue of the Notes.

Any websites mentioned in this document do not constitute part of this Prospectus.

You should rely only on the information contained in this Prospectus. The Issuer has not authorised anyone to provide you with information that is different from that contained in this Prospectus. The information in this Prospectus is only accurate as of the dates on their respective covers.

LIMITED INFORMATION REGARDING THE BORROWER AND THE ASSIGNED ASSETS

This Prospectus provides only limited information with respect to the Borrower, and with respect to the Assigned Assets, which comprise the primary collateral for the Issuer/Borrower Loan. None of the Arranger, the Note Trustee, the Security Trustee, any Agent, any Other Party, any affiliate (as defined in the Securities Act) of such person, or any other person, takes any responsibility for the information

included in, or excluded from, this Prospectus in respect of the financial condition, creditworthiness or other factors relating to the Borrower or any of its subsidiaries or affiliates, or with respect to the Assigned Assets. Prospective purchasers of Notes therefore should consider carefully, and bear the burden of independently investigating, the condition of the Borrower and the Assigned Assets.

Any and all information contained in this Prospectus regarding the Borrower and the Assigned Assets has been derived from the Borrower. None of the Arranger, the Note Trustee, the Security Trustee, any Agent, any Other Party, any affiliate (as defined in the Securities Act) of such person, or any other person, takes any responsibility for the correctness, completeness, currency or sufficiency of the information contained in such sources.

INVESTOR SUITABILITY

INVESTMENT IN THE NOTES INVOLVES POTENTIALLY SUBSTANTIAL RISKS. EACH PROSPECTIVE INVESTOR IN THE NOTES SHOULD BE FAMILIAR WITH INSTRUMENTS HAVING CHARACTERISTICS SIMILAR TO THE NOTES AND SHOULD FULLY UNDERSTAND THE TERMS OF THE NOTES AND THE NATURE AND EXTENT OF HIS EXPOSURE TO RISK OF LOSS.

Before making an investment decision, prospective investors in the Notes should conduct such independent investigation and analysis regarding: (a) the Issuer, the Notes, the Borrower and the Assigned Assets securing the Issuer/Borrower Loan and to which payments under the Notes will be exposed and (b) all other relevant persons and such market, economic and any other factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. As part of such independent investigation and analysis, prospective investors in the Notes should consider carefully all the information set out in this Prospectus and the considerations set out below.

Investment in the Notes is only suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the information contained in this Prospectus and the merits and risks of an investment in such Notes in the context of the investor's own financial, tax and regulatory circumstances and investment objectives.

In particular, investment in the Notes is only suitable for investors who:

- (a) are capable of bearing the economic risk of an investment in the Notes for the period up until the maturity date of such Notes;
- (b) have conducted an independent investigation of the Borrower and the Assigned Assets;
- (c) recognise that in case the Notes need to be sold prior to maturity, an investor may have to do so at a substantial discount from the initial price, and as a result may suffer substantial losses; and
- (d) have access to, and knowledge of, appropriate analytical tools to evaluate the merits and risks of an investment in such Notes, an indirect exposure to the assets and liabilities of the Issuer that are comprised in the Assigned Assets and to which payments under the Notes may be linked in the context of their financial situation.

The "Risk Factors" section of this Prospectus contains a summary of certain risk factors involved in an investment in the Notes and your particular attention is drawn to that section. The risk factors described in the Prospectus are not, and are not intended to be, a comprehensive list of all considerations relevant to a decision to purchase or hold any of the Notes.

Further, each prospective investor should ensure that it fully understands the nature of the transaction into which it is entering and the nature and extent of its exposure to the risk of loss of all or a substantial part of its original investment.

TABLE OF CONTENTS

TRANSACTION OVERVIEW	1
RISK FACTORS.....	7
GENERAL DESCRIPTION	37
DIAGRAM OF THE TRANSACTION.....	44
SUMMARY OF THE PRINCIPAL DOCUMENTS.....	45
CASH FLOWS	86
FORM OF THE NOTES.....	93
USE OF PROCEEDS.....	98
DESCRIPTION OF THE BORROWER	99
DESCRIPTION OF THE ISSUER.....	100
TERMS AND CONDITIONS OF THE NOTES.....	102
IRISH TAXATION.....	117
SALE AND PURCHASE	122
GENERAL INFORMATION	126
INDEX OF DEFINED TERMS.....	128

TRANSACTION OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole.

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Unless defined in this overview, words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same respective meanings when used in this overview.

Information relating to the Issuer

Issuer: Bayones ECA Limited (the "**Issuer**") is a private company with limited liability incorporated under the laws of Ireland on 11 July 2012 with registered number 515235 and having its registered office at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.

The Issuer is a special purpose vehicle incorporated for, amongst other things, the purpose of raising finance through the issuing of the Notes in connection with the advancing and management of the Issuer/Borrower Loan.

Other information about the Issuer is set out under "*Description of the Issuer*" below.

Business: The business of the Issuer is restricted by the terms of the Transaction Documents and the only assets of the Issuer available to meet claims of Noteholders are the rights and other benefits of the Issuer in the assets comprising the security for the Notes.

Information relating to the Issuer/Borrower Loan

Issuer/Borrower Loan: A single loan with a principal amount of EUR 60,300,000 (the "**Issuer/Borrower Loan**") advanced by the Issuer in its capacity as lender (the "**Lender**") to Banco Santander, S.A. (the "**Borrower**") pursuant to a credit facility agreement (the "**Issuer/Borrower Loan Agreement**") dated on or about 21 May 2013. The Issuer's primary source of funds for payments on the Notes will be repayment of principal payable by the Borrower under the Issuer/Borrower Loan.

Security for the Issuer/Borrower Loan: The Borrower will assign by way of security in favour of the Issuer all its rights and interests in and under certain Assigned Assets pursuant to the Collateral Security Agreement as security for the performance of its obligations under the Issuer/Borrower Loan Agreement. Such security will include security in favour of the Issuer in respect of its Euro collection account held with The Bank of New York Mellon in the name of the Borrower (the "**Collection Account**"). All payments in respect of interest, principal, fees or other amounts arising pursuant to the ECA Loan and/or ECA Guarantee and/or Related Security will be paid into the Collection Account. The Borrower shall only be entitled to withdraw amounts from the Collection Account in order to make payments of principal and interest (if applicable) to the Issuer in accordance with the

Issuer/Borrower Loan Agreement. Additionally, if, prior to the occurrence of a Loan Event of Default, the sum of the amounts deposited in the Collection Account and the outstanding ECA Facility Agreement Receivables is above the amounts outstanding under the Issuer/Borrower Loan Agreement, the Collateral Security Provider, by sending notice to the Beneficiary Agent and obtaining the prior written consent of the Issuer in accordance with the Borrower Deed of Charge, will be entitled to freely dispose of an amount equal to such difference. On enforcement the Borrower has agreed to transfer pursuant to a transfer certificate in full all rights and obligations in respect of the ECA Loan, the ECA Guarantee and the Related Security (each as defined below). In addition to the security interests created by the Collateral Security Agreement, the Borrower will enter into an English law governed Deed of Charge (the "**Borrower Deed of Charge**") pursuant to which it will charge the amounts standing to the credit of the Collection Account in favour of the Issuer. See further "*Summary of the Principal Documents - Borrower Security Documents*" below.

The Assigned Assets:

The Assigned Assets comprise: (i) a certain export loan (the "**ECA Loan**") originated by the Borrower; (ii) an ECA Guarantee in respect of such ECA Loan guaranteeing the payment of interest and the repayment of principal by the ECA Guarantor as applicable to the ECA Loan; (iii) any ancillary rights relating to such ECA Loan (the "**Related Security**"); and (iv) amounts standing to the credit of the Collection Account (collectively, the "**Assigned Assets**").

Claims under the Issuer/Borrower Loan:

The Loan Agent will be responsible for exercising the rights of the Issuer with regard to, and making any claims that the Issuer has under, the Issuer/Borrower Loan. See the section entitled "*Summary of the Principal Documents - Issuer/Borrower Loan Agreement*".

Collections in respect of the Assigned Assets subject to Issuer/Borrower Loan Enforcement:

Provided that no Payment Redirection Notice (as defined below) has been served, collections by the Borrower in respect of the Assigned Assets shall continue to be paid into the Collection Account. All obligations will remain with the Borrower. The Borrower will grant security in favour of the Issuer in respect of amounts standing to the credit of the Collection Account under the terms of the Borrower Deed of Charge and shall only be entitled to withdraw such monies with the consent of the Issuer. However, the Issuer will agree, under the terms of the Borrower Deed of Charge, to give its consent to the withdrawal by the Borrower of amounts standing to the credit of the Collection Account in certain circumstances, including in connection with the payment by the Borrower of amounts due under the Issuer/Borrower Loan Agreement.

At any time after: (i) the occurrence of a Loan Payment Event of Default (as defined below), or (ii) the delivery by the Lender to the Borrower of an Issuer/Borrower Loan Acceleration Notice, the Lender (or, if instructed to do so, the Loan Agent on its behalf) may deliver to the Borrower an Issuer/Borrower Loan Enforcement Notice in accordance with the Collateral Security Agreement (the service of which notice constitutes "**Issuer/Borrower Loan**

Enforcement").

Upon the enforcement of the Collateral Security Agreement by delivery of an Issuer/Borrower Loan Enforcement Notice or otherwise, the Issuer (or any duly authorised representative on its behalf) may elect to formally transfer all contractual rights and obligations in respect of the ECA Borrower and, if applicable, the ECA Guarantee to the Issuer.

Following the delivery of an Issuer/Borrower Loan Enforcement Notice and the subsequent delivery of a payment redirection notice by the Beneficiary in respect of the ECA Borrower (a "**Payment Redirection Notice**"), the Borrower (as lender under the ECA Loan) (or the Assigned Assets Back-Up Servicer, as the case may be) will cause the ECA Borrower and, if applicable, the ECA Guarantor to make payments under the Assigned Assets (such payments, the "**ECA Payments**") directly into the Issuer Main Account.

A back-up servicer in respect of the Assigned Assets (the "**Assigned Assets Back-Up Servicer**") shall be appointed by the Assigned Assets Back-Up Facilitator under the terms of the Collateral Security Agreement in the event that the Borrower ceases to have a long term debt rating of at least Baa3 by Moody's. Following such appointment, the Assigned Assets Back-Up Servicer will begin performing all rights and obligations relating to servicing and administration of the Assigned Assets upon the delivery of an Issuer/Borrower Loan Enforcement Notice. The Assigned Assets Back-Up Servicer will perform such rights and obligations on behalf of the Issuer as transferee under the transfer certificate executed pursuant to the ECA Loan. The duties of the Assigned Assets Back-Up Servicer will include making any claims for payment under the ECA Guarantee and/or taking any other action contemplated by the related ECA Facility Agreement Documents (as defined in the Collateral Security Agreement), in each case, to the fullest extent permitted thereby.

Information relating to the Notes

Description:

On 21 May 2013 (the "**Closing Date**"), the Issuer will issue the EUR 60,300,000 Zero Coupon Notes due 2022 (the "**Notes**"). The Notes will be direct, secured, limited recourse obligations in respect of the Issuer. The Notes are constituted by, and in accordance with, the Trust Deed and are subject to the Conditions.

The Notes are solely obligations of the Issuer and are not guaranteed by any other parties to the Transaction Documents.

Form and denomination of the Notes:

The Notes will be issued in bearer form.

The Notes will be issued in denominations of EUR 1,000,000 or in integral multiples of EUR 1 above that amount.

Payments in respect of the Notes:

On each Calculation Date, the Cash Manager will calculate the funds available to the Issuer to make payments in respect of the Notes (if any) and to meet its other payment obligations on or in respect of the immediately following Payment Date. On each Payment Date, the Cash Manager on behalf of the Issuer will apply such funds in accordance with the applicable Priority of Payments.

Security for the Notes

The Notes will benefit from security granted by the Issuer to the Security Trustee for the benefit of the Secured Creditors pursuant to the Deeds of Charge. In addition, the Notes will benefit from a trust over the Assigned Assets granted by the Issuer to the Security Trustee for the benefit of the Secured Creditors.

Following the enforcement of the Issuer Security and enforcement of the provisions of the Declaration of Trust, the aggregate proceeds of the realisation of the Charged Property and the Trust Property will be applied in accordance with the relevant Priority of Payments.

These arrangements and the other terms and conditions on which Notes will be issued are set out under "*Terms and Conditions of the Notes*" below.

Claims against the Issuer by the Noteholders or by any other Secured Creditor will be limited to the Charged Property and the Trust Property. Neither the Noteholders nor any other Secured Creditor will have any recourse to any other assets of the Issuer. The aggregate proceeds of realisation of such Charged Property together with the Trust Property may be less than the sums due to the Noteholders and each other Secured Creditor. Any shortfall will be borne by the Noteholders and by each other Secured Creditor in accordance with the inverse of the relevant Priority of Payments.

By subscribing for or purchasing any Notes, each Noteholder acknowledges and agrees that only the Security Trustee may enforce the security for the Notes and the provisions of the Declaration of Trust and that: (a) it may not and will not proceed directly against, among others, the Issuer, the Borrower, the ECA Borrower or ECA Guarantor in respect of all or any part of any unpaid amounts due under the Issuer/Borrower Loan or the Assigned Assets or the Notes, based on breach of contract, tort or otherwise; and (b) if the Issuer Security and the provisions of the Declaration of Trust are enforced, the proceeds of enforcement may be insufficient to pay default interest and to repay all principal due on the Notes and that: (i) the Issuer will be under no obligation to pay such shortfall; (ii) all claims in respect of such shortfall will be extinguished; and (iii) the Noteholders will have no further claim against the Issuer its officers, directors or shareholders in respect of such unpaid amounts and will not proceed against the Issuer its officers, directors or shareholders in respect of all or any part of such amounts.

Redemption:

Subject to an Early Redemption of the Notes, the Notes shall be redeemed on the Payment Date falling in July 2020 (the "**Notes Scheduled Maturity Date**").

The Notes may be redeemed at any time prior to the Notes Final Maturity Date only in certain circumstances upon the occurrence of certain events relating to the Issuer set out in the Conditions. See Condition 6 (*Redemption*) (each an "**Early Redemption of the Notes**").

The Notes must be repaid in full by no later than the Payment Date falling in July 2022 (the "**Notes Final Maturity Date**").

Risk Factors:

The Issuer has been established as a special purpose limited liability company which, other than the Assigned Assets and its rights in the Transaction Documents to which it is a party and the Issuer Main Account, does not have substantial assets of its own. Amounts due to Noteholders will be paid from payments made by: (i) both before and after the occurrence of the Issuer/Borrower Loan Enforcement, the Borrower in respect of the Issuer/Borrower Loan; and (ii) following the occurrence of the Issuer/Borrower Loan Enforcement, the ECA Payments (if any) and/or any proceeds following the enforcement of rights (as applicable) in respect of the Assigned Assets.

Accordingly, the Noteholders assume full credit risk of the Issuer, which is dependent on the Borrower's repayment of principal under the Issuer/Borrower Loan and following the occurrence of the Issuer/Borrower Loan Enforcement: (i) any recoveries made against the Borrower in respect of the Issuer/Borrower Loan; (ii) there being sufficient Assigned Assets available to the Issuer to make payments on the Notes and, to the extent there is such a sufficient amount of Assigned Assets, the ECA Borrower and ECA Guarantor, as the case may be, making payments to the Issuer under the ECA Loan or the ECA Guarantee, as the case may be. In circumstances where the Borrower does not pay amounts due under the Issuer/Borrower Loan and the amounts paid to the Issuer in respect of the Assigned Assets are insufficient to make payments of principal and/or interest (if any) to the Noteholders, the total amount received by the Noteholders could be less than the amount initially invested.

In the event of such a shortfall, the Noteholders will not, under the Conditions, have any further rights to the assets of, or claims against, the Issuer beyond their respective entitlements to payments received by the Issuer under the Charged Property and the Trust Property and will bear any such shortfall in accordance with the inverse of the applicable Priority of Payments. In particular, Noteholders and other Secured Creditors will have no right to petition for the winding up of the Issuer or for the appointment of an administrator, receiver or examiner to the Issuer (or its shareholders, directors or officers).

These risk factors and others specific to the Issuer are set out under "*Risk Factors*" below.

Prospective purchasers of the Notes should ensure that they understand fully the nature of the Notes, as well as the extent of their exposure to risks associated with an investment in the Notes and should consider the suitability of an investment in the Notes in light of their own particular financial, fiscal and other circumstances.

RISK FACTORS

The purchase of Notes may involve substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Notes are not principal protected and purchasers of Notes are exposed to the risk of full loss of principal.

The Issuer believes that the following factors may be relevant to it and its business. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Issuer to pay principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and, in the light of their own financial circumstances and investment objectives, reach their own views prior to making any investment decision.

RISK FACTORS RELATED TO THE ISSUER AND THE NOTES

The Issuer's obligations under the Notes

The Notes are secured, limited recourse obligations of the Issuer alone and not of the officers, members, directors, employees, noteholders or incorporator of the Issuer. In particular, the Notes will not be obligations or responsibilities of, nor will they be guaranteed or insured by the Borrower, the ECA Guarantor, the ECA Borrower or by the Security Trustee, the Note Trustee, the Arranger, any Agent, the Account Bank, the Assigned Assets Back-Up Servicer, the Cash Manager or any Other Party.

Subject to the provisions below, the ability of the Issuer to meet its obligations to pay amounts due under the Notes will be dependent primarily upon the receipt by it of collections of principal derived from the Issuer/Borrower Loan.

If a Notes Event of Default occurs and the Note Trustee has served a Notes Enforcement Notice on the Issuer, the Security Trustee will be entitled to enforce the Issuer Security and the provisions of the Declaration of Trust in accordance with the Issuer Security Documents, and the aggregate net proceeds from the realisation of the Charged Property together with the Trust Property will be applied by the Security Trustee towards payment of all Secured Obligations in accordance with the Notes Post-Enforcement Priority of Payments. There is no guarantee that the aggregate proceeds of enforcement of the Issuer Security and the enforcement of the provisions of the Declaration of Trust will be in an amount sufficient to repay all amounts due to the Noteholders under the Notes or the relevant Secured Creditors under the Transaction Documents, nor can it be predicted how long the enforcement process will take.

Each Noteholder, by subscribing for or purchasing the Notes, will be deemed to accept and acknowledge that, in the event of a shortfall following the enforcement of the Issuer Security and the enforcement of the provisions of the Declaration of Trust: (i) the Issuer shall be under no obligation to pay such shortfall; (ii) all claims in respect of such shortfall shall be extinguished; and (iii) the Noteholders shall have no further claim against the Issuer, its officers, shareholders or directors in respect of such shortfall and will not proceed against the Issuer in respect of any such shortfall or part thereof.

Pursuant to Condition 10 (*Enforcement*), no Noteholder shall be entitled to proceed directly against the Issuer, the Borrower or any Other Party to any of the Transaction Documents or the ECA Borrower or the ECA Guarantor (or their respective directors, officers or shareholders), to enforce the performance of any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer (or its respective directors, officers or shareholders) unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Noteholder shall be entitled to take any steps or proceedings to seek or procure the winding-up, administration or liquidation of the Issuer or the appointment of an examiner. In addition, by subscribing for or purchasing any Note(s), each Noteholder further acknowledges and agrees that only the Issuer (or the Loan Agent on its behalf), or the Security Trustee, as the case may be, may bring any action to enforce the rights of the Issuer under the Issuer/Borrower Loan Agreement and, following enforcement of the Issuer/Borrower Loan and to the extent the Issuer becomes the lender of record, the Assigned Assets (if any) and, in each case, that it may not and will not proceed directly against the Borrower, the ECA Borrower or the ECA Guarantor or any Other Party to the Transaction Documents in respect of any unpaid amounts whether based on breach of contract, tort or otherwise.

Security and insolvency considerations

Examiners, Preferred Creditors under Irish Law and Floating Charges May Impose Additional Risks on the Notes

COMI

The Issuer has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest ("**COMI**") is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice ("**ECJ**") in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings, that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "*factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect*". As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI is not located in Ireland, and is held to be in a different jurisdiction within the European Union, main insolvency proceedings may not be opened in Ireland.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the "**1990 Act**") to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance

other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in 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 High Court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the holders of Notes would be as follows:

- (i) the Security Trustee, acting on behalf of Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- (ii) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

Preferred Creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

- (i) under the terms of the Deeds of Charge, the Issuer will charge to the Security Trustee on behalf of Secured Creditors by way of first fixed charge (the "**Charge**") as security for its payment obligations in respect of the Notes certain rights under the Issuer/Borrower Loan Agreement and to the Issuer Main Account. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE and VAT;
- (ii) under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and
- (iii) in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

Effect of insolvency on the Declaration of Trust

Irish law recognises that, on any insolvency of a trustee, property held in trust by the insolvent entity as trustee belongs to the beneficiaries of the relevant trust and is not available for distribution among creditors of the insolvent entity, acting other than in its capacity as trustee of the relevant trust. However, to the extent that the Declaration of Trust was not validly constituted (for example certain trust assets were not sufficiently identified or capable of being separated), the trust assets may be available for distribution among the creditors of the Issuer (as a trustee of a trust) generally. Furthermore, regardless of whether the Declaration of Trust was validly constituted, any property which is not clearly identifiable as trust property at the time that the Issuer is tracing into it (for example it has been dissipated by the Borrower or co-mingled with its property) may also be available for distribution among the creditors of the Borrower generally.

RISKS RELATED TO THE BORROWER

The risk factors set out below relate to the Borrower and the companies whose accounts are consolidated with those of the Borrower (together, the "Group").

Risks in relation to Group operations

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 December 31, 2012, Continental Europe accounted for 40% of the Group's total loan portfolio (Spain accounted for 28% of the Group's total loan portfolio), while the United Kingdom and Latin America accounted for 34% and 20%, respectively. Accordingly, the recoverability of these loan portfolios in particular, and the Group's 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. Continued recessionary economic conditions in the economies of Continental Europe (in particular, Spain), or a return to recessionary conditions in the United Kingdom or the Latin American countries in which 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 the current disruptions and volatility in the global financial markets.

In the past five 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. Recessionary conditions continue in some countries. 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 may face, among others, the following risks related to the economic downturn:

- The Group potentially faces increased regulation of its industry. Compliance with such regulation may increase the Group's costs, may affect the pricing for its products and services, and limit its 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 quality of the Group's assets.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- Worsening of the global economic conditions may delay the recovery of the international financial industry and impact the Group's financial condition and results of operations.
- The recoverability of the Group's retail loans in particular may be increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of the Group's retail customers and result in increased loan losses.

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

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

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

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

The European Central Bank (the “ECB”) and European Council took actions in 2012 to aim to reduce the risk of contagion throughout and beyond the eurozone. These included the creation of the Open

Market Transaction facility of the ECB and the decision by eurozone governments to create a banking union. Nonetheless, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations 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. Although the Group believes the possibility to be remote following the measures taken in 2012, if a wide-scale break-up of the eurozone were to occur, it would most likely be associated with a deterioration in the economic and financial environment and could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect the Group's operating results, financial position and prospects.

Market conditions have, 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 five years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. The Group has material exposures to securities and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of 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 its 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 it 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's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its 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 its 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 its funding requirements and capital ratios.

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 it 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's ability to fulfil 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 it might otherwise consider engaging, affect the value of assets that it hold, require the it to increase its prices and therefore reduce demand for its products, impose additional costs on it 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 Spain, the United States, the European Union and other jurisdictions, and regulations are in the process of being implemented.

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

Regulators in the U.K. have 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 the Group's expenses, or otherwise adversely affect its operating results, financial condition and prospects. These proposals include (i) the introduction of recovery and resolution planning requirements (popularly known as “living wills”) for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system, (ii) implementation of the Financial Services Act 2012, which enhances the FSA’s disciplinary and enforcement powers, (iii) the introduction of more regular and detailed reporting obligations, (iv) a move to pre-funding of the deposit protection scheme in the U.K., (v) a proposal to require large U.K. retail banks to hold a minimum Core Tier 1 to risk-weighted assets ratio of at least 10 percent., which is, broadly, 3 percent higher than the minimum capital levels required under Basel III, and to have a minimum primary loss-absorbing capacity of 17 percent of risk-weighted assets, and (vi) proposed revisions to the approaches for determining trading book capital requirements and banking book risk-weighted assets from the Basel Committee.

In December 2010, the Basel Committee on Banking Supervision (the “**Basel Committee**”) reached agreement on comprehensive changes to the capital adequacy framework, known as Basel III. A revised version of Basel III was published in June 2011. Basel III is intended to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. Among other things, Basel III introduces new eligibility criteria for Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments that are intended to raise the quality of regulatory capital, and increases the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer above the minimum capital ratios in order to avoid certain capital distribution constraints. The capital conservation buffer, to be comprised of Common Equity Tier 1 capital, would result in an effective Common Equity Tier 1 capital requirement of 7 percent of risk-weighted assets. In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer during periods of excessive credit growth. Basel III introduces a leverage ratio for institutions as a backstop measure, to be applied alongside current risk-based regulatory capital requirements. The implementation of Basel III in the European Union is being performed through the Capital Requirements Directive IV & Capital Requirements Regulation (“CRDIV/CRR”) legislative package. In early 2013 the draft legislation remains under discussion between the European Parliament, the European Commission and the Council of Ministers. The final capital framework to be established in the EU under CRDIV/CRR is likely to differ from Basel III in certain areas and the implementation date is still subject to uncertainty.

In addition to the changes to the capital adequacy framework published in December 2010 described above, the Basel Committee also published its global quantitative liquidity framework, comprising the Liquidity Coverage Ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”) metrics, with objectives to (1) promote the short-term resilience of banks’ liquidity risk profiles by ensuring they have sufficient high-quality liquid assets to survive a significant stress scenario; and (2) promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable

sources of funding on an ongoing basis. The LCR has been subsequently revised by the Basel Committee in January 2013 which amended the definition of high-quality liquid assets and agreed a revised timetable for phase-in of the standard from 2015 to 2019, as well as making some technical changes to some of the stress scenario assumptions. As with the Basel Committee's proposed changes to the capital adequacy framework, the draft liquidity framework remains under discussion within the EU and the final framework to be established could differ from Basel III in certain areas. The implementation date is still subject to uncertainty.

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

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

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

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

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) which was adopted in 2010 will continue to result in significant structural reforms affecting the financial services industry. This legislation provides for, among other things, the establishment of a Consumer Financial Protection Bureau with broad authority to regulate the credit,

savings, payment and other consumer financial products and services that 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 of the Group's engagement in certain proprietary trading activities and restrictions on its ownership of, investment in or sponsorship of hedge funds and private equity funds, restrictions on the interchange fees it earns through debit card transactions, and a requirement that bank regulators phase out the treatment of trust preferred capital instruments as Tier 1 capital for regulatory capital purposes.

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

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

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

These and any additional legislative or regulatory actions in Spain, the European Union, the United States, the U.K. 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 it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require 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, 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 the Group's business and results of operations.

Changes in taxes and other assessments may adversely affect us.

The Spanish Government regularly enacts reforms to the tax and other assessment regimes to which 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 have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon the Group's business. Furthermore, such changes may increase the cost of borrowing and contribute to the increase in the Group's non-performing credit portfolio.

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

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 it records and reports the Group's 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.

If the Group is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if its 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 can negatively impact its 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 it may acquire in the future, or factors beyond its control, such as adverse changes in the credit quality of its 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 the Group's current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among

other things, the Group's 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 its 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, it may be required to increase its loan loss reserves, which may adversely affect it. 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 it.

Mortgage loans are one of the Group's principal assets, comprising 51% of its loan portfolio as of December 31, 2012. As a result, it 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 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 December 31, 2007, to 2.02% at December 31, 2008, to 3.24% at December 31, 2009, to 3.55% at December 31, 2010 and to 3.89% at December 31, 2011. At December 31, 2012, the Group's NPL ratio was 4.54%. 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 its business, financial condition and results of operations.

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 real estate market is particularly vulnerable in the current economic climate and this may affect the Group as real estate represents a significant portion of the collateral securing its residential mortgage loan portfolio. 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 its loans secured by such collateral. If this were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which may materially and adversely affect its results of operations and financial condition.

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 it, 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 it employs a broad and diversified set of

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

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 or credit risk, 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, it may not be able to timely detect these risks before they occur, or due to limited tools available to it, the Group's employees may not be able to effectively implement them, which may increase its 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 it, which could have a material adverse effect on it.

Some of the Group's 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 the Group's risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modeling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it 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 harm the Group's reputation as well as its revenues and profits.

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

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 it. 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 it.

The Group may generate lower revenues from fee and commission based businesses.

The fees and commissions that the Group earns from the different banking and other financial services that it provides (credit and debit cards, insurance, account management, bill discounting, guarantees and other contingent liabilities, advisory and custody services, etc.) and from the Group's mutual and pension funds management services represent a significant source of its revenues.

Market downturns have led and are likely to continue to lead, to a decline in the volume of transactions that the Group executes for its customers and, therefore, to a decline in its non-interest revenues. In addition, because the fees that the Group charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of the Group's clients' portfolios or increases the amount of withdrawals would reduce the revenues it receives from its asset management, private banking and custody businesses and adversely affect its results of operations. Moreover, 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 its fee and commission income.

Even in the absence of a market downturn, below-market performance by the Group's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue it receives from its asset management business and adversely affect its results of operations.

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 it.

Market risk refers to the probability of variations in the Group's 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; and
- gains from sales of loans and securities.

Variations in short-term interest rates could affect the Group's net interest income, which comprises the majority of its revenue. 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 rate variations could adversely affect the Group, including its net interest income, reducing its growth rate or even resulting in losses. 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.

If interest rates decrease, although this is likely to decrease the Group's funding costs, it is likely to adversely impact the income it receives arising from its investments in securities as well as loans with similar maturities. 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 the 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.

Increases in interest rates may reduce gains or require the Group to record losses on sales of its loans or securities.

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 its 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 as part of its normal course of business as a commercial bank. The performance of financial markets may cause changes in the value of its 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 the Group's 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 adversely affected.

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

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 its 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 it.

The Group's 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 its 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 the Group's 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 Group's control, such as general economic conditions and the confidence of commercial depositors in the economy, in general, and the financial services industry in particular, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. Any

of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing 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 it 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 it expects or are not renewed. If a substantial number of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, it 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, it 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 its credit rating would likely increase its cost of funding, require it to post additional collateral or take other actions under some of its 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 its financial strength and conditions affecting the financial services industry generally. In addition, due to the methodology of the main rating agencies, the Group's 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 it to post additional collateral or take other actions under some of its 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 the Group's derivative contracts, it 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 it, 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—Baa2 by Moody's Investors Service España, S.A., BBB by Standard & Poor's Ratings Services and BBB+ by Fitch Ratings Ltd.—all of which have a negative outlook due to the difficult economic environment in Spain. All three agencies downgraded the Group's rating in February 2012 together with that of the other main Spanish banks, due to the weaker-than-previously-anticipated macroeconomic and financial environment in Spain with dimming growth prospects in the near term, depressed real estate market activity and heightened turbulence in the capital markets. In addition, Standard & Poor's Ratings Services downgraded the Group's rating by two notches in April 2012 together with that of 15 other Spanish banks following that rating agency's decision to downgrade Spain's sovereign debt rating by two notches. Moody's Investors Service España, S.A. further downgraded the Group's rating in May 2012, together with downgrades of 15 other Spanish banks and Santander UK plc, the Group's United Kingdom-domiciled subsidiary. In June 2012, Fitch Ratings Ltd. cut the rating of Spanish sovereign debt three notches to BBB with a negative outlook, and Moody's followed shortly thereafter by downgrading Spanish sovereign debt three notches to Baa3,

its lowest investment grade rating. Following its downgrade of Spanish sovereign debt, Fitch Ratings Ltd. further downgraded the Group's rating on June 11, 2012 from A to BBB+. Moody's Investors Service downgraded the Group's rating on June 25, 2012 from A3 to Baa2. Santander UK's long-term debt is currently rated investment grade by the major rating agencies: A2 with negative outlook by Moody's Investors Service, A with negative outlook by Standard & Poor's Ratings Services and A with stable outlook by Fitch Ratings. All three agencies revised Santander UK's ratings during 2012 following the downgrades of the Kingdom of Spain.

The Group conducts substantially all of its material derivative activities through Banco Santander, S.A. and Santander UK. The Group estimates that as of December 31, 2012, 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 December 31, 2012, if all the rating agencies were to downgrade Santander UK's long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in outflows from Santander UK's total liquid assets of £2.0 billion of cash and £6.6 billion in additional collateral that Santander UK would be required to post under the terms of secured funding and derivatives contracts. A hypothetical two notch downgrade would result in an additional outflow of £0.4 billion of cash and £1.4 billion of collateral under secured funding and derivatives contracts.

However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviors of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including credit rating agency downgrades of 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 the Group. In addition, if the Group were required to cancel its derivatives contracts with certain counterparties and were unable to replace such contracts, its 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 Group's current ratings or outlooks. The Group's failure to maintain favorable ratings and outlooks would likely increase its cost of funding and adversely affect its interest margins, which could have a material adverse effect on it.

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

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

Market practices and documentation for derivative transactions in the countries where the Group operates differ from each other. In addition, the execution and performance of these transactions depends on the Group's ability to develop adequate control and administration systems and to hire and retain qualified personnel. Moreover, its ability to adequately monitor, analyze and report derivative

transactions continues to depend, to a great extent, on its information technology systems. This factor further increases the risks associated with these transactions and could have a material adverse effect on the Group.

Competition with other financial institutions could adversely affect the Group.

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 it, including its profitability. It may also negatively affect the Group's business results and prospects by, among other things, limiting its ability to increase its customer base and expand its 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, it could lose existing and potential business. If it is not successful in retaining and strengthening customer relationships, it 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 is exposed to risks faced by other financial institutions.

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 it to significant credit risk in the event of default by one of its significant counterparties. In 2012, the financial health of a number of European governments was shaken by the European sovereign debt crisis, contributing to volatility of the capital and credit markets, and the risk of contagion throughout and beyond the eurozone remains, as a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations which are under considerable financial pressure. These liquidity concerns have had, and may continue to have, an adverse effect on interbank financial transactions in general. Should any of these nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilized. A default by a significant financial counterparty, or liquidity problems in the financial services industry generally, could have a material adverse effect on the Group.

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

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 the Group's own 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 its 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.

The Group's ability to maintain its competitive position 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, and it may not be able to manage various risks it faces as it expands its range of products and services that could have a material adverse effect on it.

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 its clients, or that they will be successful in the future. In addition, its 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 it cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially and adversely affect it.

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 it operates, it will be exposed to new and potentially increasingly complex risks and development expenses in those markets, with respect to which the Group's experience and the experience of its partners may not be helpful. The Group's employees and its risk management systems may not be adequate to handle such risks. In addition, the cost of developing products that are not launched is likely to affect its results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on it.

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 it believes offers additional value to its shareholders and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and its ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. The Group can give no assurances that its expectations with regards to integration and synergies will materialize. The Group also cannot provide assurance that it will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives. Challenges that may result from the Group's strategic growth decisions include its ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow its 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.

Operational risks, including risks relating to data collection, processing and storage systems are inherent in the Group's business.

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on its 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 its 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, it routinely exchange personal, confidential and proprietary information by electronic means, and it may be the target of attempted cyber attacks. If the Group cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

The Group takes protective measures and continuously monitors and develops its systems to protect its technology infrastructure and data from misappropriation or corruption, but its 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.

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

In addition, its 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.

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 it.

The Group's ability to remain competitive depends in part on its ability to upgrade its 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 it 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 its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on it.

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 the Group's strategy. The successful implementation of the Group's growth strategy depends on the availability of skilled management, both at its 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, its 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 may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it 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 it operates. These laws and regulations require it, 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.

Whilst 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 have in some cases only been recently adopted and may not completely eliminate instances where it may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent it fails to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on it, 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 its relevant counterparties' internal policies and procedures with respect to such matters, it, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group's

(and its relevant counterparties) as a conduit for money laundering (including illegal cash operations) without the Group's (and its relevant counterparties') knowledge. If the Group is associated with, or even accused of being associated with, or become a party to, money laundering, then its reputation could suffer and/or it 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 it), any one of which could have a material adverse effect on its operating results, financial condition and prospects.

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

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

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 its lending activities, relationships with its 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 we have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings. However, the amount of these provisions is substantially less than the total amount of the claims asserted against 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 the Group's level of income for that period.

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

Maintaining a positive reputation is critical to the Group attracting and maintaining customers, investors and employees. Damage to its 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 it. 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 relies on third parties for important products and services.

Third party vendors provide key components of its business infrastructure such as loan and deposit servicing systems, internet connections and network access. Any problems caused by these third parties, including as a result of their not providing the Group with their services for any reason or their performing their services poorly, 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.

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

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

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

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

The Group's business could be affected if its capital is not managed effectively or if changes limiting its ability to manage its capital position are adopted.

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

Portions of the Group's loan portfolio are subject to risks relating to force majeure events and any such event could materially adversely affect its operating results.

The Group's financial and operating performance may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of its 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 its loan portfolio and could have an adverse impact on the economy of the affected region.

The Group's 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.

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

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. Under IFRS, the discount rate is set considering the term and performance of high credit quality corporate bonds with similar maturities in the same currency, and is the assumption that is most vulnerable to market volatility. Because pension obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of the Group's defined benefit obligations and therefore on the amount of pension expense that it accrues.

Changes in the size of the deficit in the Group's 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 it has none or limited control. Increases in its pension liabilities and obligations could have a material adverse effect on its business, financial condition and results of operations.

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

Like many other European banks, the Group invests in debt securities of European governments, including debt securities of the countries that have been most affected by the deterioration in

economic conditions in Europe, such as Spain, Portugal, Italy and Ireland. A failure by any such government to make timely payments under the terms of these securities, or a significant decrease in their market value, could have a material adverse effect on the Group. For more information, see Item 4-B. Business overview—Exposure to sovereign counterparties by credit rating.

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, its 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 it. Payment of dividends, distributions and advances by the Group's 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 its subsidiaries' creditors, including trade creditors.

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

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

As a holder of ADSs you will have different shareholders' rights than in the United States and certain other jurisdictions.

The Group's corporate affairs are governed by its by-laws and Spanish corporate law, which may differ from the legal principles that would apply if the Group were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Spain. Under Spanish corporate law, you may have fewer and less well-defined rights to protect your interests than under the laws of other jurisdictions outside Spain.

Although Spanish corporate law imposes restrictions on insider trading and price manipulation, the form of these regulations and the manner of their enforcement may differ from that in the U.S. securities markets or markets in certain other jurisdictions. In addition, in Spain, self-dealing and the preservation of shareholder interests may be regulated differently, which could potentially disadvantage you as a holder of the shares underlying ADSs.

ADS holders may be subject to additional risks related to holding ADSs rather than shares.

Because ADS holders do not hold their shares directly, they are subject to the following additional risks, among others:

- as an ADS holder, the Group will not treat you as one of our direct shareholders and you may not be able to exercise shareholder rights;

- the Group and the depositary may amend or terminate the deposit agreement without the ADS holders' consent in a manner that could prejudice ADS holders or that could affect the ability of ADS holders to transfer ADSs; and
- the depositary may take or be required to take actions under the Deposit Agreement that may have adverse consequences for some ADS holders in their particular circumstances.

RISKS RELATED TO TRANSACTION PARTIES

Limited sources of funds and reliance on third parties

Prior to the Issuer/Borrower Loan Enforcement, the ability of the Issuer to meet its obligations under the Notes will be dependent upon the performance by the Borrower under the Issuer/Borrower Loan. Following the Issuer/Borrower Loan Enforcement, the ability of the Issuer to meet its obligations under the Notes will be dependent upon, *inter alia*, to the extent there are Assigned Assets available, the performance by the ECA Borrower under the ECA Loan and, where applicable, the ECA Guarantor under the ECA Guarantee and that such ECA Borrower and ECA Guarantor make all payments of interest and principal directly into the Issuer Main Account. Furthermore, the Issuer may also be dependent on any recoveries received from the Borrower following the Issuer/Borrower Loan Enforcement. In addition, the Issuer will be dependent on the relevant parties to perform their obligations under the related Transaction Documents. In particular, the Issuer will be dependent on the performance by the Beneficiary Agent, the Loan Agent, the Assigned Assets Back-Up Servicer and the Cash Manager of their respective obligations and upon performance by any Agent and the Account Bank of their respective obligations to make payments when received.

Accordingly, the Noteholders are exposed, among other things, to the creditworthiness of the Borrower, the Assigned Assets Back-Up Servicer, the Cash Manager, the Beneficiary Agent, the Loan Agent and any Agent.

Business Relationships

Each of the Issuer, the Arranger, the Note Trustee, the Security Trustee, the Borrower, any Agent and any of their respective affiliates may have existing or future business relationships with the Assigned Assets Back-Up Servicer, the ECA Borrower or the ECA Guarantor (in each case including, but not limited to, lending, depositary, risk management, advisory and banking relationships) or any Other Party and may pursue actions and take steps that it deems necessary or appropriate to protect its interests arising therefrom without regard to the consequences to a Noteholder. Further, the Arranger, the Note Trustee, the Security Trustee, the Borrower, any Agent or any Other Party (as the case may be) or any of their respective affiliates may buy, sell or hold positions with respect to or to the obligations of, or act as investment or commercial bankers, advisers or fiduciaries to, or hold directorship and officer positions in any obligor of the Assigned Assets or any Assigned Assets Back-Up Servicer. The Borrower may also terminate existing business relationships with any obligor of any Assigned Assets in the future. In addition, the Borrower may cease to originate loans that are guaranteed by export credit agencies.

The Borrower has existing and potential relationships with a significant number of institutions and individuals. Accordingly, the Noteholders should be aware that there may be occasions when the Borrower and its affiliates encounter potential conflicts of interest. These conflicts may arise in part due to the Borrower's and its affiliates' engagement in a broad platform of activities, including insurance, banking, underwriting, asset management and financial advisory activities, which activities are independent from and may from time to time conflict with each other.

RISK FACTORS RELATED TO THE MARKET

Investor Suitability

Investments in the Notes may only be suitable for prospective purchasers who have requisite knowledge and experience in financial and business matters and expertise in assessing credit risk and who are capable of evaluating the merits, risks and suitability of investing in the Notes, including any credit risk associated with the Issuer, the Borrower, the ECA Borrower and the ECA Guarantor.

Independent Review and Advice

Each prospective purchaser of Notes must determine, based on its own independent review (including as to the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer, the Borrower, the Beneficiary Agent, the Loan Agent, the Assigned Assets Back-Up Servicer, the ECA Borrower and the ECA Guarantor) or any Other Party (as the case may be) and such professional advice (including, without limitation, tax, accounting, credit, legal and regulatory advice) as it deems appropriate under the circumstances, that its acquisition and holding of the Notes (a) are fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (b) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (c) are fit, proper and suitable investments for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the risks inherent in investing in or holding the Notes. None of the Issuer, any Agent, the Arranger, the Borrower, or any of their affiliates nor the Assigned Assets Back-Up Servicer, the ECA Borrower or the ECA Guarantor is acting as an investment adviser, or assumes any fiduciary obligation, to any purchaser of Notes. This Prospectus is not intended to provide the basis of any credit or other evaluation or should be considered as a recommendation or constituting an invitation or offer that any recipient of this Prospectus should purchase any Notes. The Notes Trustee, the Security Trustee and the Arranger expressly do not undertake to review the financial condition or affairs of the Issuer, the Assigned Assets Back-Up Servicer, the Borrower, the ECA Borrower, or the ECA Guarantor.

Provision of Information

None of the Issuer, the Arranger, the Note Trustee, the Security Trustee, any Agent or any affiliate makes any representation as to the credit quality of the Assigned Assets Back-Up Servicer, the Account Bank, the Cash Manager, the Borrower, the ECA Borrower or the ECA Guarantor or any Other Party. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Assigned Assets Back-Up Servicer, the Borrower, the ECA Borrower or the ECA Guarantor. None of such persons is under any obligation to make available any information relating to, or keep under review on the Noteholders' behalf, the business, financial conditions, prospects, creditworthiness or status of affairs of the Assigned Assets Back-Up Servicer, Borrower, the ECA Borrower or the ECA Guarantor or conduct any investigation or due diligence into such persons.

No Secondary Market

There can be no assurance that any secondary market for any of the Notes will develop, or if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of such Notes. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes. Investors must be prepared to hold the Notes for an indefinite period of time or until final redemption or maturity of the Notes.

In addition, investors should take note of the prevailing and widely reported global credit market conditions referred to as the "credit crunch"(which continues at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes.

The Issuer cannot predict when these circumstances will change and if and when they do whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in the future. As such, there can be no assurance that the market for instruments similar to the Notes will recover at all or at the same time and to the same degree as other global credit market sectors.

Withholding Tax Under the Notes

In the event that withholding taxes are imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, neither the Issuer nor any Agent nor any other person is obliged to gross up or otherwise to compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of withholding taxes.

The imposition of such withholding tax would entitle (but not oblige) the Issuer to redeem the Notes at their Accreted Face Amount in accordance with Condition 6.3 (*Optional redemption for taxation or other reasons*), thereby shortening the lives of the Notes.

U.S. Foreign Account Tax Compliance withholding may affect payments on the notes.

Sections 1471 through 1474 (inclusive) of the U.S. Internal Revenue Code ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments made to any non-U.S. financial institution (a foreign financial institution, or "**FFI**" (as defined by FATCA)) that (i) does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders or (ii) is not otherwise exempt from or in deemed-compliance with FATCA, including by registering under and complying with the reporting obligations of an intergovernmental agreement entered into by the United States and the jurisdiction of its tax residency. The new withholding regime will be phased in beginning in 2014 for certain payments received from sources within the United States and will apply to non-U.S. source "foreign passthru payments" (a term not yet defined) no earlier than 2017.

The application of FATCA to amounts paid with respect to the Notes is not clear. First, because the Notes are unlikely to be considered debt for U.S. tax purposes, they should not be considered exempt from FATCA due to being "grandfathered" since grandfathering under FATCA only applies to obligations treated as debt for U.S. tax purposes. Second, Ireland entered into an intergovernmental agreement with the United States on December 21, 2012, to help implement FATCA for certain Irish entities. Pursuant to the United States-Ireland intergovernmental agreement, an FFI in Ireland could be treated as a "Reporting Irish Financial Institution" which (i) would not be subject to FATCA withholding on any payments it receives and (ii) would not be required to withhold in respect of FATCA on payments it makes from sources outside the United States, but would, however, be required to report certain information on its U.S. account holders to its home government. The United States and Ireland have, however, reserved the right to impose an alternative to withholding on "foreign passthru payments" (which might include payments on the Notes).

FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their own tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

European Union Directive on Taxation of Saving Income

Under the European Union Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending

of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-European Union countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

Change of Law

The structure of the issue of Notes is based on the legal systems and administrative practice in each relevant jurisdiction in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change in law or to administrative practice in any of the relevant jurisdictions after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Implementation of and/or change to the Basel II framework may affect the capital requirements and/or the liquidity associated with a holding of the Notes for certain investors

In 1988, the Basel Committee on Banking Supervision (the "**Basel Committee**") adopted capital guidelines that explicitly link the relationship between a bank's capital and its credit risks. In June 2006 the Basel Committee finalised and published new risk-adjusted capital guidelines ("**Basel II**"). Basel II includes the application of risk-weighting which depends upon, amongst other factors, the external or, in some circumstances and subject to approval of supervisory authorities, internal credit rating of the counterparty. The revised requirements also include allocation of risk capital in relation to operational risk and supervisory review of the process of evaluating risk measurement and capital ratios.

Basel II has not been fully implemented in all participating jurisdictions. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework. The Basel II framework is implemented in the European Union by the Capital Requirements Directive ("**CRD**"). Certain amendments have been made to the CRD, including by Directive 2010/76/EU (the so-called "**CRD III**"), which was required to be implemented by Member States by the end of 2011 and which introduced (amongst other things) higher capital requirements for certain trading book positions and re-securitisation positions.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**") and on 1 June 2011 issued its final guidance, which envisages a substantial strengthening of existing capital rules, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and a minimum leverage ratio for financial institutions. In particular, the changes include, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The Basel Committee is also considering introducing additional capital requirements for systemically important institutions from 2016. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

The European authorities support the work of the Basel Committee on the approved changes in general and, on 20 July 2011, the European Commission adopted a legislative package of proposals (known as "**CRD IV**") to implement the changes through the replacement of the existing CRD with a new Directive and Regulation. As with Basel III, the proposals contemplate the entry into force of the new legislation from January 2013, with full implementation by January 2019; however the proposals allow individual Member States to implement the stricter definition and/or level of capital more quickly than is envisaged under Basel III.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes

Noteholders should consult their own advisers as to the consequences to, and effect on them of, the application of the CRD, as implemented by their own regulator, to their holding of any Notes.

None of the Issuer, the Arranger, the Security Trustee, the Note Trustee, the Borrower or any Other Party is responsible for informing the Noteholders of the effects of the changes to risk weighting which will result for investors from the adoption, implementation and/or interpretation of the CRD by their own regulator. Noteholders are responsible for analysing their own regulatory position. Investors should consult their regulator should they require guidance in relation to the regulatory capital treatment that their regulator would apply to an investment in the Notes.

Santander as initial Noteholder

It is anticipated that at the Closing Date Santander will purchase and initially hold all Notes. For so long as any Notes are held by Santander, they will be entitled to all of the rights to which the holders of such Notes are entitled (including, without limitation, voting rights). So long as Santander continues to hold part of the Notes, in the exercise of the rights to which they are entitled under the Notes, it may be in their interests to minimise any adverse impact or potential adverse impact on Santander in their other capacities.

In addition, Noteholders should be aware that it may be in the interests of Santander to sell their holdings in all or part of the Notes held by them at a time, price or volume as may be determined by them and are under no obligation to any other entity holding an interest in the Notes when so doing. Any such sale may have an adverse impact on the value of the Notes held by other investors.

GENERAL DESCRIPTION

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Unless defined in this description, words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same respective meanings when used in this description.

The Parties

Issuer:	Bayones ECA Limited.
Borrower:	Banco Santander, S.A., a Spanish credit entity with its registered office at Santander, Paseo de Pereda 9-12, with Tax Identification Number A-39000013 and registered with the Commercial Registry of Santander, at Volume 448, Sheet number 1, page 1960.
Lender:	Bayones ECA Limited.
Arranger:	Banco Santander, S.A., a Spanish credit entity with its registered office at Santander, Paseo de Pereda 9-12, with Tax Identification Number A-39000013 and registered with the Commercial Registry of Santander, at Volume 448, Sheet number 1, page 1960.
Security Trustee:	BNY Mellon Corporate Trustee Services Limited.
Note Trustee:	BNY Mellon Corporate Trustee Services Limited.
Beneficiary Agent:	The Bank of New York Mellon, London branch.
Loan Agent:	The Bank of New York Mellon, London branch.
Cash Manager:	The Bank of New York Mellon, London branch.
Account Bank:	The Bank of New York Mellon SA/NV, Dublin Branch.
Collection Account Bank:	The Bank of New York Mellon, London branch.
Assigned Assets Back-Up Facilitator:	La Banque Postale
Principal Paying Agent:	The Bank of New York Mellon, London branch.
Agents:	The Principal Paying Agent, together with any other agent as may be appointed pursuant to the terms of the Agency Agreement.
Irish Listing Agent:	Arthur Cox Listing Services Limited
Corporate Services Provider:	The Bank of New York Mellon SA/NV, Dublin Branch.

Other Parties:	All or any of the Beneficiary Agent, the Loan Agent, the Irish Listing Agent, the Account Bank, the Cash Manager, the Agents and the Corporate Services Provider, and "Other Party" shall mean each such party.
Description of the Notes	
Notes:	On the Closing Date the Issuer will issue the Notes. The Notes will be subject to the Conditions.
Issue Price:	The issue price for the Notes shall be 100 per cent.
Reference Price:	The nominal amount of the Notes multiplied by the Issue Price.
Interest on the Notes:	The Notes will not bear interest, save in limited circumstances relating to the failure by the Issuer to pay amounts due and payable on maturity.
Accrual Yield:	Zero (0) per cent. Interest will not be payable on the Notes. Instead the amount payable in respect of such Note upon redemption shall be the Accreted Face Amount being the sum of (A) the Reference Price and (B) the aggregate accretion of the difference between the Reference Price and the nominal amount of the Notes from the Closing Date to the date on which the Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Accrual Yield provided that when the calculation is to be made for a period of less than one year it shall be made using the day count fraction actual/360.
Notes Scheduled Maturity Date:	Subject to an Early Redemption of the Notes, the Notes shall redeem on the Payment Date falling in July 2020 (the "Notes Scheduled Maturity Date").
Notes Final Maturity Date:	The Issuer will redeem the Notes in full by no later than the Payment Date falling in July 2022 (the "Notes Final Maturity Date").
Early Redemption of the Notes:	Other than in respect of a redemption of the Notes on the Notes Scheduled Maturity Date, the Notes may be redeemable at any time prior to the Notes Final Maturity Date only in certain circumstances upon the occurrence of certain events relating to the Issuer set out in the Conditions. See Condition 6 (<i>Redemption</i>).
Form of Notes:	The Notes will be issued in bearer form ("Bearer Notes") without receipts, coupons or talons and initially be represented by interests in a temporary global note (the "Temporary Global Note"). Temporary Global Notes will be exchangeable not earlier than 40 days after the Closing Date (and upon confirmation of non-U.S. beneficial ownership) for interests in a permanent global note (the "Permanent Global Note"), without interest coupons, which will be deposited with a common depository on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Permanent Global Note will be exchangeable for Bearer Notes in definitive form ("Definitive Notes") only in the limited circumstances set out in

such Permanent Global Note.

Denominations:	The Notes will be issued in denominations of EUR 1,000,000 or in integral multiples of EUR 1 above that amount.
Status of the Notes:	The Notes will constitute direct, secured, limited recourse obligations of the Issuer.
Taxation:	All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature, unless the Issuer or any Agent is required by applicable law to make any payment subject to any such withholding or deduction, in which event the Issuer or such Agent shall make such payment after such withholding or deduction has been made. Neither the Issuer nor any Other Party will be obliged to pay additional amounts in respect of any such withholding or deduction.
Negative Pledge:	The Issuer may not, except with the consent of the Security Trustee create or, to the extent within its control, permit to subsist any encumbrance (unless arising by operation of law) or other security or trust interest whatsoever over any of its assets or undertaking (other than those permitted under any of the Transaction Documents including the Charged Property and Trust Property).
Rating:	The Notes are expected to be rated A3(sf) by Moody's.
Listing:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List to trading on the Main Securities Market.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law.
Selling Restrictions:	<p>There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, United Kingdom, Ireland, France and the Kingdom of Spain.</p> <p>See "<i>Sale and Purchase</i>" on page 122.</p>

Description of the Issuer/Borrower Loan

Use of Proceeds:	The Issuer will apply the net issuance proceeds of the Notes in or towards funding a single advance of EUR 60,300,000 (the " Issuer/Borrower Loan ") to the Borrower pursuant to a loan facility agreement (the " Issuer/Borrower Loan Agreement ") to be entered into by the Borrower, the Issuer and the Loan Agent on or around 21 May 2013.
Loan Interest:	Zero (0) per cent. per annum.
Loan Term:	A six month period commencing on the day following any Loan Term End Date and ending on the following Loan Term End Date except that the first Loan Term for the Issuer/Borrower Loan will

commence on the date of the Issuer/Borrower Loan Agreement and end on 10 July 2013. Each following Loan Term will end on the next Loan Term End Date.

"Loan Term End Date" means 10 January and 10 July of each year (starting 10 July 2013), subject to adjustment if such day is not a Business Day in accordance with the terms of the Issuer/Borrower Loan Agreement.

Loan Payment Dates: The Borrower shall repay the Issuer/Borrower Loan in full on the Loan Final Maturity Date, together with accrued interest (if any) and any other outstanding amounts unless prepaid.

Loan Final Maturity Date: The Loan Payment Date falling in July 2020.

Prepayment following repayment or prepayment of ECA Loan: Mandatory prepayment of the Issuer/Borrower Loan will apply if the ECA Loan is repaid or prepaid in whole or in part before the Notes Final Maturity Date whereupon the Borrower shall repay or prepay to the Lender an amount equal to the principal amount received by the Borrower in respect of the ECA Loan.

Upfront Fee and Further Fee Amount: The Borrower shall pay in consideration of the Lender making available the Issuer/Borrower Loan, on or prior to the Closing Date, to the Lender an amount equal to EUR 1,726,300 in respect of agreed fees (the **"Upfront Fee"**) plus an amount of EUR 2,000,000 (the **"Enforcement Claim Reserve Amount"**) to cover any legal costs and expenses which may be incurred following the Issuer/Borrower Loan Enforcement by the Lender (or the Beneficiary Agent or any other authorised representative of the Lender) in connection with proceedings against the Borrower (or any liquidator, *administrador concursal*, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer appointed in respect of the Borrower or over any of the Borrower's assets) relating to the enforcement of the Collateral Transfer. In addition, the Borrower shall pay, in consideration of the Lender making available the Issuer/Borrower Loan to the Lender, the amount of any Further Fee Amounts required to maintain the amount standing to the credit of the Expenses Ledger at not less than EUR 340,000, as notified to the Borrower by the Cash Manager.

Servicing of the Issuer/Borrower Loan: Pursuant to the Issuer/Borrower Loan Agreement, the Issuer will appoint the Loan Agent to provide servicing and administration and management services to the Issuer in respect of the Issuer/Borrower Loan.

Description of the Notes Security

Security for the Notes: The Notes will benefit from security granted by the Issuer to the Security Trustee for the benefit of the Secured Creditors pursuant to the Deeds of Charge. In addition, the Notes will benefit from a trust over the Assigned Assets granted by the Issuer to the Security Trustee for the benefit of the Secured Creditors.

Following the enforcement of the Issuer Security and enforcement of the provisions of the Declaration of Trust, the aggregate proceeds of the realisation of the Charged Property together with the Trust Property will be applied in accordance with the Notes Post-Enforcement Priority of Payments.

Charged Agreement(s):

The "**Charged Agreement(s)**" will consist of the Agency Agreement, the Issuer/Borrower Loan Agreement, the Collateral Security Agreement, the Borrower Deed of Charge (the Borrower Deed of Charge and the Collateral Security Agreement together comprising the "**Borrower Security Documents**"), the Issuer Security Documents, the Assigned Assets Back-Up Servicing Deed, the Cash Management Agreement, the Trust Deed, the Bank Account Agreement and the Collection Account Bank Agreement.

Charged Property:

The Charged Property will consist of an assignment absolutely (or, to the extent not assignable, charges by way of a first fixed charge) of all of the Issuer's rights in respect of Charged Agreements, an assignment absolutely, subject to a proviso for re-assignment on redemption (or, to the extent not assignable, charges by way of a first fixed charge), of all of its rights in respect of any amounts standing from time to time to the credit of the Issuer Main Account (and all interest paid or payable in relation to those amounts and all debts represented by those amounts), together with a first floating charge of all of its undertaking, property, assets and rights not effectively otherwise the subject of a security interest under the Deeds of Charge or effectively subject to the trust constituted by the Declaration of Trust, both present and future, excluding its share capital and all monies from time to time standing to the credit of the Issuer Domestic Account which will be applied for the administration of the Issuer.

Issuer Security:

The "**Issuer Security**" means any mortgage, sub-mortgage, charge, sub-charge, assignment or assignation by way of security, pledge, lien, right of set-off, retention of title or other encumbrance or security interest created in favour of the Security Trustee (for itself and as trustee on behalf of the other Secured Creditors) under or pursuant to the Deeds of Charge.

Trust Property:

The "**Trust Property**" will consist of the Issuer's rights in relation to the Assigned Assets over which the Issuer declares a trust in favour of the Security Trustee (for itself and as trustee on behalf of the other Secured Creditors) under or pursuant to the Declaration of Trust.

Secured Creditors:

The Noteholders, the Cash Manager, the Account Bank, the Note Trustee, the Security Trustee, any receiver or other appointee of the Security Trustee or Note Trustee, the Assigned Assets Back-Up Servicer, the Corporate Services Provider, any Agent, the Beneficiary Agent, the Loan Agent, the Borrower and any new creditor who accedes to any of the Issuer Security Documents from time to time under a deed of accession or a supplemental deed.

Cash Flows

Loan Pre-Enforcement Cash Flows:

Prior to the occurrence of the Issuer/Borrower Loan Enforcement, the Cash Manager will on each Payment Date apply (i) the amounts standing to the credit of the Revenue Ledger including the amounts (other than any Extraordinary Expenses which will be credited to the Expenses Ledger) received from the Borrower pursuant to the Issuer/Borrower Loan; and (ii) the relevant amounts transferred or to be transferred from the Expenses Ledger for Issuer costs and expenses (including any Extraordinary Expenses) to be solely applied in payment of items (a), (c) and (d) of the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments on or prior to a Payment Date, and as calculated on the immediately preceding Calculation Date, in accordance with the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments.

Any shortfall in the Expenses Ledger to pay items (a), (c) and (d) of the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments shall be met out of amounts standing to the credit of the Revenue Ledger by way of applying Available Funds in the order set out in the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments.

"Calculation Date" means (i) prior to the Issuer/Borrower Loan Enforcement, one (1) Business Day prior to each Payment Date and (ii) following the Issuer/Borrower Loan Enforcement, fifteen (15) Business Days prior to each Payment Date.

"Payment Date" means 10 January and 10 July in each year from and including 10 July 2013.

Loan Post-Enforcement Cash Flows:

Following the Issuer/Borrower Loan Enforcement but prior to the service of a Notes Enforcement Notice (as defined below), the Cash Manager will on each Payment Date apply the amounts standing to the credit of the Revenue Ledger including (i) the amounts received from the Borrower pursuant to the Issuer/Borrower Loan, (ii) amounts received pursuant to the Assigned Assets (if any) upon delivery of a Payment Redirection Notice, (iii) the disposal proceeds from the sale of the Assigned Assets (if any), and in respect of amounts transferred or to be transferred from the Expenses Ledger to be used solely for Issuer costs and expenses payable in respect of items (a), (b), (d), (e) and (f) of the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments on such Payment Date in each case as calculated on the preceding Calculation Date, in accordance with the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments.

Any shortfall in the Expenses Ledger to pay items (a), (b), (d), (e) and (f) of the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments shall be met out of amounts standing to the credit of the Revenue Ledger by way of applying Available Funds in the order set out in the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments.

**Notes Post-Enforcement
Cash Flows:**

Following a notice given by the Note Trustee to the Issuer and the Security Trustee in accordance with the Conditions upon a Notes Event of Default (a "**Notes Enforcement Notice**"), the Notes will become immediately due and repayable, together with any other amounts due under the Notes and the security for the Notes will become enforceable. Any moneys recovered by the Security Trustee from the enforcement of the Issuer Security and the provisions of the Declaration of Trust for each Secured Creditor will be distributed in accordance with the Notes Post-Enforcement Priority of Payments.

Priority of Payments:

The Loan Pre-Enforcement (Notes Pre-Enforcement) Priority Payments, the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments and the Notes Post-Enforcement Priority of Payments, as applicable at the relevant time.

Description of the Issuer/ Borrower Loan Security

**Security for the Issuer/
Borrower Loan:**

Pursuant to the terms of the Collateral Security Agreement, the Borrower will grant security or assign on the Closing Date by way of security in favour of the Lender all its rights, title and interest in and under: (i) a certain export loan (the ECA Loan) originated by the Borrower; (ii) a certain ECA Guarantee granted in respect of the payment of interest and the repayment of principal by the ECA Guarantor in respect of the ECA Loan; and (iii) any other security rights and other related documents relating to such ECA Loan (the "**Related Security**"); and (iv) amounts standing to the credit of the Collection Account (collectively, the "**Assigned Assets**") as security for its obligations under the Issuer/Borrower Loan Agreement. In addition, the Borrower will charge on the Closing Date amounts standing to the credit of the Collection Account in favour of the Issuer pursuant to the Borrower Deed of Charge.

ECA Borrower:

A public company whose obligations under the ECA Loan are guaranteed by the ECA Guarantor pursuant to the ECA Guarantee.

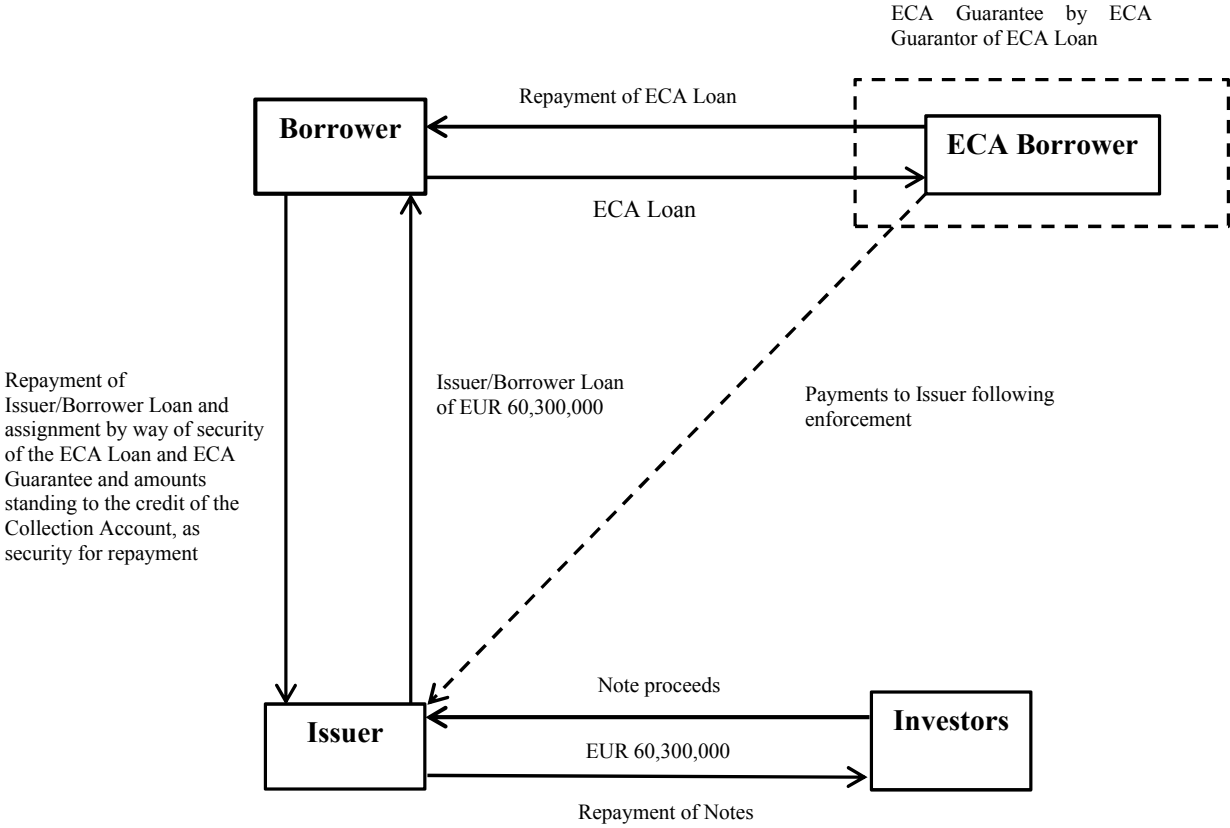
ECA Guarantor:

In respect of the ECA Loan, the payment of scheduled interest and the repayment of principal will be partially or fully guaranteed by an ECA pursuant to a guarantee (the "**ECA Guarantee**").

**Representations and
Warranties/Eligibility
Criteria:**

Pursuant to the Collateral Security Agreement, the Borrower will make certain representations and warranties to the Issuer regarding the Assigned Assets, including that the ECA Loan and the ECA Guarantee meets the eligibility criteria (the "**Eligibility Criteria**").

DIAGRAM OF THE TRANSACTION



SUMMARY OF THE PRINCIPAL DOCUMENTS

The following is a summary of the terms of the principal agreements to be entered into by the Issuer in connection with the Notes (in each case the relevant "**Transaction Documents**"). The Noteholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the relevant Transaction Documents. The statements in this Prospectus are summaries of the relevant Transaction Documents, and are subject to the detailed provisions of the relevant Transaction Documents.

Issuer/Borrower Loan Agreement

Definitions

"Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets settle payments and are open for general business in London, Paris, Madrid and Dublin.

"Default" means:

- (a) a Loan Event of Default; or
- (b) an event or circumstance specified in Clause 18 (*Events of Default*) of the Issuer/Borrower Loan Agreement which would be (with the expiry of a grace period, the giving of notice or the making of any determination under the Finance Documents or any combination of any of them) a Loan Event of Default.

"Disruption Event" means either or both of:

- (a) a material disruption to the payment or communications systems or to the financial markets which are, in each case, required to operate in order for payments to be made (or other transactions to be carried out) in connection with the transactions contemplated by the Finance Documents, which is not caused by, and is beyond the control of, any of the parties to the Issuer/Borrower Loan Agreement; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party to the Issuer/Borrower Loan Agreement preventing it, or any other party to the Issuer/Borrower Loan Agreement from:
 - (i) performing its payment obligations under the Finance Documents; or
 - (ii) communicating with other parties to the Issuer/Borrower Loan Agreement under the Finance Documents,

and which is not caused by, and is beyond the control of, the party to the Issuer/Borrower Loan Agreement whose operations are disrupted.

"Finance Documents" means the Issuer/Borrower Loan Agreement, the Borrower Deed of Charge, the Collateral Security Agreement, any Collateral Transfer (as defined in the Collateral Security Agreement) and any other instrument documenting the assignment, and any other document designated as such by the Lender and the Borrower.

"Loan" means the principal amount of the borrowing under the Issuer/Borrower Loan Agreement or the principal amount outstanding of that borrowing.

"Original Financial Statements" means the audited consolidated financial statements of the Borrower for the year ended on 31 December 2012.

"Request" means the request for the Loan, substantially in the form of schedule 2 (*Form of Request*) to the Issuer/Borrower Loan Agreement.

"Security Interest" means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect.

"Spanish Insolvency Law" means Spanish law 22/2003 of 9 July on Insolvency (*Ley 22/2003 de 9 de Julio, Concursal*).

"Specified Indebtedness" means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money except that such term shall not include obligations in respect of deposits received in the ordinary course of business.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Threshold Amount" means an amount equal to the 3% of the Borrower's shareholder's equity determined from time to time from its most recently published consolidated annual accounts.

General

The Issuer in its capacity as lender (the **"Lender"**) has entered into a loan agreement with Banco Santander, S.A. (the **"Borrower"**) and The Bank of New York Mellon (in its capacity as agent, the **"Loan Agent"**) (the **"Issuer/Borrower Loan Agreement"**) pursuant to which the Lender is committed to provide the Borrower with a facility in an aggregate amount equal to EUR 60,300,000 (the **"Commitment"**).

Purpose

The Borrower will apply all amounts borrowed by it under the Issuer/Borrower Loan towards its general financing needs.

Utilisation

Funds under the facility will be advanced by the Lender to the Borrower in a single drawdown on or about the Closing Date.

Interest

The rate of interest (the **"Loan Interest"**) on the Issuer/Borrower Loan for each interest period shall be zero (0) per cent. per annum.

Each **"Loan Term"** is a six-monthly period commencing on the day following a Loan Term End Date and ending on the following Loan Term End Date except that the first Loan Term for the Issuer/Borrower Loan will commence on the date of the Issuer/Borrower Loan Agreement and end on 10 July 2013. Each following Loan Term will end on the Loan Term End Date.

"Loan Term End Date" means 10 January and 10 July of each year (starting 10 July 2013), subject to adjustment if such day is not a Business Day in accordance with the terms of the Issuer/Borrower Loan Agreement.

Interest on overdue amounts

If the Borrower fails to pay any amount payable by it under the Finance Documents on its due date, it must immediately on demand by the Lender pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgment.

Interest on the overdue amount (whether principal or interest) is payable at a rate determined by the Lender to be, subject to the terms of the Issuer/Borrower Loan Agreement, two (2) per cent. per annum above the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan in EUR of the overdue amount for successive Loan Terms, each of a duration of three (3) months or any other duration selected by the Lender (acting reasonably).

Interest (if unpaid) on an overdue amount will be compounded with that overdue amount at the end of each of its Loan Term but will remain immediately due and payable.

Fees

The Borrower shall pay, in consideration of the Lender making available the Issuer/Borrower Loan on or prior to the Closing Date, to the Lender an amount equal to EUR 1,726,300 in respect of agreed fees of the Lender (the "**Upfront Fee**") plus the Enforcement Claim Reserve Amount. The Issuer shall pay to the Borrower by way of rebate of the Upfront Fee and any Further Fee Amounts, following repayment in full of the Notes, any surplus funds available to it after making payment of all amounts referred to in (a) to (f) of the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments and in accordance with the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments.

The Borrower shall, within ten (10) Business Days of being notified by the Cash Manager of any Further Fee Amount and in consideration of the Lender making available the Issuer/Borrower Loan, pay to the Lender the amount (if any) of such Further Fee Amount.

Extraordinary Expenses

The Borrower shall, within ten (10) Business Days of demand, pay to the Lender an amount of any additional costs, expenses or fees due and payable by the Lender to a Secured Creditor and incurred during a Calculation Period which is in addition to any agreed remuneration due and payable on a Payment Date ("**Extraordinary Expenses**") as more fully described in the Master Definitions and Construction Agreement.

Repayment, Prepayment and Cancellation

The Borrower must repay the Issuer/Borrower Loan in full on the Loan Payment Date falling in July 2020 (the "**Loan Final Maturity Date**") together with all accrued interest (if any) and any other outstanding amounts unless prepaid pursuant to the terms of the Issuer/Borrower Loan Agreement.

Mandatory prepayment of the Issuer/Borrower Loan in full will apply if:

- (a) the Lender notifies the Borrower that it becomes aware that it is or will become unlawful in any applicable jurisdiction for the Lender to perform any of its obligations or exercise any of its rights under a Transaction Document or to fund or maintain the Issuer/Borrower Loan; or
- (b) for any reason, the Notes are to be redeemed before the Notes Final Maturity Date in accordance with the terms of the Transaction Documents (as defined in the Issuer/Borrower Loan Agreement).

Mandatory prepayment of the Issuer/Borrower Loan will also apply if for any reason, the ECA Loan is repaid or prepaid in whole or in part before the Loan Final Maturity Date whereupon the Borrower must repay or prepay to the Lender an amount equal to the amount received by the Borrower in respect of the ECA Loan together with all accrued interest and any other outstanding amount in accordance with the terms of the Issuer/Borrower Loan Agreement.

In addition, if:

- (i) any sum payable to the Lender by the Borrower is required to be increased due to the Tax gross-up provision of the Issuer/Borrower Loan Agreement; or
- (ii) the Lender claims indemnification from the Borrower under the tax indemnity or increased costs provisions of the Issuer/Borrower Loan Agreement,

the Borrower may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give notice to the Lender requesting prepayment and cancellation.

Representations

The Borrower will make the following representations and warranties to the Lender under the Issuer/Borrower Loan Agreement including, but not limited to that:

- (a) it is a joint stock company (*sociedad anónima*), incorporated as a credit entity, duly incorporated and validly existing under the laws of Spain;
- (b) it has the power to own its assets and carry on its business as it is being conducted;
- (c) it has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, the Transaction Documents to which it is a party and the transactions contemplated by those Transaction Documents;
- (d) subject to any general principles of law limiting obligations which are specifically referred to in any legal opinion delivered in connection with the Transaction Documents, the obligations expressed to be assumed by it in each Transaction Document to which it is a party are legal, valid, binding and enforceable obligations;
- (e) the entry into and performance by it of, and the transactions contemplated by, the Transaction Documents to which it is a party do not and will not conflict with:
 - (i) any law or regulation applicable to it;
 - (ii) its constitutional documents; or
 - (iii) any agreement or instrument which is binding upon it or any of its assets;
- (f) no Default is outstanding or might reasonably be expected to result from the making of the Loan;
- (g) no other event or circumstance is outstanding which constitutes a default under any document which is binding on it or any of its assets;
- (h) all authorisations required:

- (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party; and
- (ii) to make the Transaction Documents to which it is a party admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect;

- (i) save as disclosed in the public information provided to the Bank of Spain, or the Comisión Nacional del Mercado de Valores or other relevant regulator by the Borrower, or on the Borrower's website, the Borrower is not involved in any litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency, and none have been started or, to its knowledge, threatened against the Borrower, which may have, or may have had during the previous twelve (12) months, a material adverse effect on the Borrower's ability to meet its obligations under the Transaction Documents;
- (j) it is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to which it is a party to the Lender, provided the Lender complies with the obligation to furnish, by registered letter with acknowledgement of receipt, to the Borrower a certificate issued by the Irish tax authorities confirming the Lender is resident in Ireland for the purposes of the Ireland/Spain Double Taxation Convention (as defined in the Master Definitions and Construction Agreement) as soon as reasonably practicable after signing of the Issuer/Borrower Loan Agreement and such certificate is renewed annually;
- (k) under the law of its jurisdiction of incorporation it is not necessary that the Transaction Documents to which it is a party be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to those Transaction Documents or the transactions contemplated by the Transaction Documents;
- (l) its Original Financial Statements were prepared in accordance with GAAP consistently applied;
- (m) its Original Financial Statements fairly represent its consolidated financial condition and operations during the relevant financial year;
- (n) there has been no material adverse change in its business or financial condition since 30 June 2012;
- (o) its payment obligations under the Transaction Documents to which it is a party rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally; and
- (p) all Confidential Information (as defined in the Issuer/Borrower Loan Agreement) disclosed by the Borrower to the Lender under or in connection with any of the Transaction Documents to which it is a party shall be deemed to be able to be disclosed by the Lender or by any person to whom the Lender is authorised to disclose such Confidential Information pursuant to clause 26 (*Confidentiality*) of the Issuer/Borrower Loan Agreement in accordance with such clause.

The representations and warranties (other than that summarised in (j) above which shall be made by the Borrower on the date of receipt of the relevant tax certificate) have been made by the Borrower on the Closing Date and unless a representation and warranty is expressed to be given at a specific date,

each representation and warranty is deemed to be repeated by the Borrower on the first day of each Loan Term (and in respect of the representation and warranty summarised in (j) only, the date of receipt of the relevant tax certificate).

Information covenants

Under the Issuer/Borrower Loan Agreement, the Borrower undertakes to supply certain documentation and information to the Lender. Certain of these undertakings are summarised below and include, amongst others, the undertaking to provide the Lender with the details of:

- (a) the Borrower must supply to the Lender:
 - (i) as soon as and if the same become available, its audited consolidated financial statements for each financial year;
 - (ii) as soon as and if the same become available, its consolidated financial statements for each financial half year,

it being provided that information referred to will be deemed delivered if publicly available (notably on the Borrower's website), or in the public information provided to the Bank of Spain, or the Comisión Nacional del Mercado de Valores or other relevant regulator;
- (b) save as published on the Comisión Nacional del Mercado de Valores website from time to time, the Borrower must supply to the Lender promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings against it which are current, threatened or pending and which may have exceeded or, if adversely determined, are reasonably likely to exceed an aggregate amount of USD 50,000,000;
- (c)
 - (i) the Borrower must notify the Lender (or the Loan Agent on its behalf) of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence;
 - (ii) promptly on request by the Lender (or the Loan Agent on its behalf), the Borrower must supply to the Lender a certificate, signed by two of its authorised signatories on its behalf, certifying that no Default is outstanding or, if a Default is outstanding, specifying the Default and the steps, if any, being taken to remedy it;
- (d) the Borrower must not change its financial year end.

In addition, if the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of the Issuer/Borrower Loan Agreement or any change in the status of the Borrower after the date of the Issuer/Borrower Loan Agreement obliges the Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Lender in order for the Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

The Borrower may satisfy its obligation to deliver any information by posting this information onto an electronic website as agreed between the Borrower and the Lender under the terms of the Issuer/Borrower Loan Agreement.

General covenants

Under the Issuer/Borrower Loan Agreement, the Borrower assumes certain general undertakings in favour of the Issuer and these shall include, amongst others, the following:

- (a) the Borrower must promptly:
 - (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
 - (ii) supply certified copies to the Lender of,

any authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under the Transaction Documents to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any such Transaction Document;
- (b) the Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents to which it is a party; and
- (c) the Borrower shall procure that no substantial change is made to the general nature of its business from that carried on at the date of the Issuer/Borrower Loan Agreement.

Events of default

Events or circumstances including the following are events of default (each a "**Loan Event of Default**") under the Issuer/Borrower Loan Agreement:

- (a) the Borrower does not pay on the due date any amount payable by it under the Transaction Documents to which it is a party in the manner required under the Transaction Documents unless:
 - (i) its failure to pay is caused by:
 - (A) a technical or administrative error; or
 - (B) a Disruption Event; and
 - (ii) payment is made within two (2) Business Days of the due date;
- (b) the Borrower does not comply with any term of the Transaction Documents to which it is a party (other than any term referred to in (a) above), unless the non-compliance:
 - (i) is capable of remedy; and
 - (ii) is remedied within 10 Business Days of the earlier of (i) the Lender giving notice of the failure to comply to the Borrower and (ii) the Borrower becoming aware of the failure to comply;
- (c) a representation or warranty made or deemed to be repeated by the Borrower in any Transaction Document to which it is a party or in any document delivered by or on behalf of the Borrower under any such Transaction Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be repeated, unless the

circumstances giving rise to the misrepresentation or breach of warranty:

- (i) are capable of remedy; and
 - (ii) are remedied within 10 Business Days of the earlier of the Lender giving notice of the misrepresentation or breach of warranty to the Borrower and the Borrower becoming aware of the misrepresentation or breach of warranty;
- (d) any of the following occurs in respect of the Borrower:
- (i) any Specified Indebtedness of the Borrower in an aggregate amount of not less than the Threshold Amount is not paid when due nor within any originally applicable grace period;
 - (ii) a default, event of default or other similar condition or event (however described) under one or more agreements or instruments relating to Specified Indebtedness of the Borrower in an aggregate amount of not less than the Threshold Amount which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable; or
 - (iii) a default, event of default or other similar condition or event (however described) under one or more agreements or instruments relating to any repurchase transaction it has entered into in connection to the Transaction Documents,

provided no Event of Default will occur under (d) if the relevant default, event of default or other similar condition or event is a payment default that results solely from wire transfer difficulties or an error or omission of an administrative or operational nature (so long as sufficient funds were available to the Borrower on the relevant payment date), provided that payment is made within three (3) Business Days after such transfer difficulties have been corrected or the error or omission has been discovered;

- (e) any of the following occurs in respect of the Borrower:
- (i) it is, or is deemed for the purposes of any applicable law to be, unable to pay its debts as they fall due or insolvent (within the meaning of article 2 of the Spanish Insolvency Law);
 - (ii) it admits its inability to pay its debts as they fall due;
 - (iii) it suspends making payments on any of its debts or announces an intention to do so;
 - (iv) by reason of actual or anticipated financial difficulties, it begins negotiations with any creditor or all creditors for the rescheduling or restructuring of any of its indebtedness (including for the avoidance of doubt in accordance with article 5 bis of the Spanish Insolvency Law); or a moratorium being declared or instituted in respect of any of its indebtedness; or for the avoidance of doubt; *concurso* proceedings under the Spanish Insolvency Law being declared; or
 - (v) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities);
- (f) any of the following occurs in respect of the Borrower:

- (i) any step is taken with a view to the suspension of payments, a moratorium or a composition, compromise, assignment or similar arrangement with any of its creditors;
- (ii) any shareholder of the Borrower presents a petition, or files documents with a court or any registrar, for its winding-up, administration, re-organisation or dissolution;
- (iii) any Security Interest is enforced over any of its assets;
- (iv) an order for its winding-up, administration, dissolution or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) is made;
- (v) any liquidator, *administrador concursal*, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any of its assets;
- (vi) any other analogous step or procedure is taken in any jurisdiction; or
- (vii) in relation to the proceedings in Spain, any step is taken with a view to a declaration of insolvency (*concurso*) or any filing is made by the Borrower under Article 5 bis of the Spanish Insolvency Law,

except that paragraph (f) above does not apply to a petition for winding-up presented by a creditor which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement.

- (g) any expropriation, attachment, sequestration, distress, execution or analogous event affects any asset(s) of the Borrower, having an aggregate value of at least EUR 75,000,000, and, if the enforcement proceeding or creditor's process, is not discharged within 30 days;
- (h) the Borrower suspends or ceases, or threatens to suspend or cease, to carry on all or a material part of its business;
- (i)
 - (i) it is or becomes unlawful for the Borrower to perform any of its obligations under the Transaction Documents to which it is a party;
 - (ii) any Transaction Document to which it is a party ceases to be in full force and effect in accordance with its terms or is alleged by the Borrower to be ineffective in accordance with its terms for any reason;
 - (iii) any obligation or obligations of the Borrower under any Transaction Documents to which it is a party are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lender under those Transaction Documents;
 - (iv) the Borrower repudiates a Transaction Document to which it is a party or evidences an intention to repudiate such a Transaction Document; and
- (j) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to the Transaction Documents or the transactions contemplated in the Transaction Documents or against the Borrower or its assets which may have, or may have had during the previous twelve (12)

months, a material adverse effect on the Borrower's ability to meet its obligations under the Transaction Documents.

Remedies - acceleration

On and at any time after the occurrence of a Loan Event of Default which is continuing the Lender (or the Loan Agent or another party on its behalf) may, by notice to the Borrower:

- cancel the Commitment whereupon it shall immediately be cancelled;
- declare that all or part of the Issuer/Borrower Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable (such notice being an **"Issuer/Borrower Loan Acceleration Notice"**);
- declare that all or part of the Issuer/Borrower Loan be payable on demand, whereupon it shall immediately become payable on demand by the Lender; and/or
- exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

Remedies - enforcement

At any time after:

- the occurrence of a Loan Payment Event of Default (pursuant to clause 18.1 (*Non-payment*) of the Issuer/Borrower Loan Agreement); or
- the delivery of an Issuer/Borrower Loan Acceleration Notice,

the Lender may deliver to the Borrower (in its capacity as Collateral Security Provider) an Issuer/Borrower Loan Enforcement Notice in accordance with the Collateral Security Agreement (such notice being an **"Issuer/Borrower Loan Enforcement Notice"**).

Appointment of Loan Agent

The Lender has irrevocably appointed the Loan Agent to act as its agent (and the Loan Agent has accepted such appointment) under and in connection with the Issuer/Borrower Loan Agreement and has authorised the Loan Agent to (amongst other things) exercise the rights, powers, authorities and discretions given to the Lender, and/or perform any obligations of the Lender, under the Issuer/Borrower Loan Agreement (including, by way of example and without limitation, cancelling the Commitment, declaring that all or part of the Issuer/Borrower Loan is due and payable, delivering the Issuer/Borrower Loan Enforcement Notice and granting of any consent to be provided by the Lender under the terms of the Issuer/Borrower Loan Agreement) together with any other incidental rights, powers, authorities and discretions and to serve and receive any notices and/or certifications to be provided by the Lender or to the Lender, as the case may be under the Issuer/Borrower Loan Agreement.

Termination of Loan Agent

If the Borrower is or becomes holder of 100 per cent. of the Notes on a day that falls on or after the First Payment Date (the **"Notes Buy-Back Date"**), the appointment of the Loan Agent under the Issuer/Borrower Loan Agreement shall, on the Business Day following such Notes Buy-Back Date, be terminated and the Lender shall appoint Santander as its new agent.

Governing law

The Issuer/Borrower Loan Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

Borrower Security Documents

Collateral Security Agreement

Definitions

"Additional Security" means any mortgage, pledge, privilege, transfer or assignment by way of security, legal or contractual retention right and any other security, charge or lien of any nature whatsoever or any other agreement having a similar effect.

"Asset Records" means the computer and manual records, files, internal data, books and all other information (including information stored in information systems) related to the Assigned Assets, together with all original, executive or true copies (*copias ejecutivas*) of any contract, instrument or other document (such as riders, waivers and amendments) providing for the terms and conditions of, and/or evidencing title and benefit to, such Assigned Assets and any Related Security.

"Assigned Asset" means any ECA Facility Agreement Receivable assigned by way of security (*transmisión de la propiedad de un derecho de crédito dado en garantía*) pursuant to and in accordance with the Collateral Security Agreement, RDL 5/2005 or any other relevant local law, as applicable.

"Assigned Security" means, in respect of the ECA Facility Agreement, any guarantee (other than the ECA Guarantee) or Additional Security granted in order to guarantee or secure the payment of any amount owed by the ECA Facility Agreement Debtor in connection with the ECA Facility Agreement.

"Assignment Formalities" means, in respect of each ECA Facility Agreement Receivable, all formalities (notices, filings, registrations, consents, notarisations and/or translations) which are requested for the full perfection, validity, effectiveness and enforceability of the transfer by way of security (*transmisión de la propiedad de un derecho de crédito dado en garantía*) of said ECA Facility Agreement Receivable (including any Assigned Security or Non-Credit Right) and to ensure its binding and enforceable effect against the ECA Facility Agreement Debtors and third parties in the relevant jurisdictions, including the jurisdiction of (i) the location of the Collateral Security Provider, (ii) the relevant ECA Facility Agreement Debtor, (iii) the assets subject to the relevant Assigned Security or (iv) the governing law of the relevant ECA Facility Agreement Receivable which are listed in Annex I of the Collateral Security Agreement.

"Auction Agent" means the entity appointed by the Beneficiary (or any duly authorised representative of the Beneficiary) as agent to conduct the enforcement of the Collateral Transfer.

"Back-Up Beneficiary Agent" means a potential beneficiary agent appointed in accordance with the Collateral Security Agreement within the earlier of:

- (a) ten (10) Business Days from the date (i) the initial Beneficiary Agent's long-term unsecured, unguaranteed and unsubordinated rating published by at least two of the Rating Agencies is lower than BBB+ by Fitch, Baa1 by Moody's or BBB+ by S&P (provided that such event occurs before the Notes Final Maturity Date) or (ii) the Beneficiary Agent serves a notice of resignation;

- (b) five (5) Business Days from the occurrence of any of the events referred to in the Collateral Security Agreement,

and who shall confirm to the Beneficiary that it will accept the obligations contained in the Collateral Security Agreement should it be appointed as new Beneficiary Agent.

"Back-Up Servicer" means an entity appointed by the Back-Up Servicer Facilitator upon the Collateral Security Provider's long-term unsecured, unguaranteed and unsubordinated rating published by Moody's being lower than Baa3, and who shall confirm to the Beneficiary and the Back-Up Servicer Facilitator that it accepts the appointment in order to carry out the relevant functions.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for general business in London, Paris, Madrid and Dublin.

"Collateral Transfer" means the transfer by way of security (*transmisión de la propiedad de un derecho de crédito dado en garantía*) of the ECA Facility Agreement Receivables made by the Collateral Security Provider for the benefit of the Beneficiary pursuant to Clause 2 of the Collateral Security Agreement on regards of the ECA Facility Agreement, subject to RDL 5/2005 or any other relevant local law, as applicable.

"Collection Account" means the Euro denominated account opened by the Collateral Security Provider with the Collection Account Bank having account number 1773999780.

"Dealers" means any External Dealer and/or any Transaction Dealer.

"ECA Facility Agreement" means the facility agreement dated 18 February 2011 for a maximum amount of EUR 76,132,818.50, entered into by the Collateral Security Provider, as lender, and Acerinox, S.A. as borrower, as amended, novated and reinstated from time to time.

"ECA Facility Agreement Debtors" means any borrower, guarantor or other entity obliged to make any payment (either of principal, interests, fees or any other sum whatsoever) under the ECA Facility Agreement Documents, expressly including the ECA Guarantor.

"ECA Facility Agreement Documents" means (i) the ECA Facility Agreement, (ii) the ECA Guarantee, (iii) any personal (i.e. not *in rem*) guarantee; (iv) any Assigned Security granted in connection with the ECA Facility Agreement and (v) any other document to which the Collateral Security Provider is a party in connection with any ECA Facility Agreement Document.

"ECA Facility Agreement Receivable" means any credit right (*derecho de crédito*) which enables the Collateral Security Provider to receive any amount (*derecho pecuniario*) from an ECA Facility Agreement Debtor, arising out of any ECA Facility Agreement Document, together with any Non-Credit Rights and Assigned Security relating to the relevant ECA Facility Agreement including, for the avoidance of doubt, any payment obligation from the ECA Guarantor pursuant to the ECA Guarantee.

"ECA Guarantee" means the guarantee for tied financial credits (*G3 Garantie für gebundene Finanzkredite*) issued by the ECA Guarantor in respect of the ECA Facility Agreement on 25 February 2011, as amended, novated and reinstated from time to time.

"ECA Guarantor" means the Republic of Austria (represented by Oesterreichische Kontrollbank Aktiengesellschaft, OeKB).

"Effective Date" means the date on which the transfer by way of security (*transmisión de la propiedad de un derecho de crédito dado en garantía*) of ECA Facility Agreement Receivables carried out in accordance with the terms of this Agreement becomes effective.

"Enforcement Value" means the Final Price Amount of the ECA Facility Agreement Receivables resulting from the auction(s) undertaken upon enforcement of the Collateral Transfer.

"External Dealer" means in respect of the ECA Facility Agreement (i) export credit market participants that the Beneficiary (or the Auction Agent on its behalf) deems appropriate in its sole discretion; and (ii) at the sole discretion of the Beneficiary, any or all of ABN AMRO Bank N.V., Bank of America Merrill Lynch, Barclays Bank PLC, BNP Paribas S.A., Calyon S.A., Citigroup Global Markets Limited, Credit Suisse International, Deutsche Bank AG, Goldman Sachs International, HSBC Holdings Plc, ING Group, JP Morgan Chase & Co, Morgan Stanley & Co., Standard Chartered PLC, The Royal Bank of Scotland plc and UBS AG. The Transaction Dealers do not qualify as an External Dealer.

"Final Price Amount" means the market value of the relevant ECA Facility Agreement Receivables (or a portion thereof) resulting from the auction(s) undertaken in accordance with clause 11 of the Collateral Security Agreement.

"Fitch" means Fitch Ratings Ltd. or any of its successors or assigns.

"Formalities Checklist" means the checklist included as Annex I of the Collateral Security Agreement.

"Full Quotation" means a Quotation for the full Quotation Amount of the ECA Facility Agreement, resulting from the auction(s) undertaken upon enforcement of the Collateral Transfer.

"Guaranteed Obligations" means all present and future amounts in respect of principal, interest, fees, costs, expenses or any other amounts, due by the Collateral Security Provider under the Issuer / Borrower Loan Agreement.

"Independent Valuator" means any of ABN AMRO Bank N.V., Bank of America Merrill Lynch, Barclays Bank PLC, BNP Paribas S.A., Calyon S.A., Citigroup Global Markets Limited, Credit Suisse International, Deutsche Bank AG, Goldman Sachs International, HSBC Holdings Plc, ING Group, JP Morgan Chase & Co, Morgan Stanley & Co., Standard Chartered PLC, The Royal Bank of Scotland plc or UBS AG, as designated pursuant to the Collateral Security Agreement.

"Issuer Main Account" means the Euro denominated account opened by the Beneficiary with the Account Bank having account number 8142489780.

"Legal Counsel" means DLA Piper or any of its affiliated firms in relation to matters of law for which it is qualified, or alternatively any other law firm of international reputation appointed with prior consent of the Collateral Security Provider and the Beneficiary.

"Loan Acceleration Notice" means the notice to be delivered by the Beneficiary (in its capacity as Lender) to the Collateral Security Provider (in its capacity as Borrower) pursuant to the terms of the Issuer/Borrower Loan Agreement.

"Loan Enforcement Notice" means the notice to be delivered by the Beneficiary to the Collateral Security Provider in accordance with the Collateral Security Agreement.

"Minimum Quotation Amount" means the lower amount between (i) the Quotation Amount of the ECA Facility Agreement Receivable(s) or portion thereof being auctioned; and (ii) EUR 1,000,000, provided that such amount shall not be lower than the minimum amount that can be transferred in accordance with the relevant ECA Facility Agreement Documents.

"Moody's" means Moody's Investors Service Limited or any of its successors or assigns.

"Non-Credit Rights" means, with respect to the ECA Facility Agreement Documents, to the extent such rights are related to such ECA Facility Agreement Documents under the applicable law and subject to the terms of the relevant ECA Facility Agreement Documents, all rights held by the Collateral Security Provider in its capacity as lender under or in relation to the ECA Facility Agreement Documents other than the credit rights (*derechos de crédito*) which enables the Collateral Security Provider to receive any amount (*derecho pecuniario*) under the relevant ECA Facility Agreement Documents. For the avoidance of doubt, this includes, without limitations:

- (a) the right to exercise all powers of the Collateral Security Provider in relation to the ECA Facility Agreement Documents, subject to the terms of the ECA Facility Agreement Documents and the rights of the ECA Guarantor and the other parties thereunder;
- (b) the right to demand, sue for, recover, receive and give receipts for all amounts (whether interest, principal or otherwise) which are now or may become payable to the Collateral Security Provider under the ECA Facility Agreement Documents (including the ECA Guarantee); and
- (c) the right to sue on all covenants with, and undertakings to, the Collateral Security Provider in the ECA Facility Agreement Documents.

"Partial Quotation" means a Quotation for any given portion of the Quotation Amount of the ECA Facility Agreement Receivables, resulting from the auction(s) undertaken in accordance with clause 11 of the Collateral Security Agreement. For the avoidance of doubt, any Partial Quotation given for a portion with a principal balance (including accrued but unpaid interest) lower than the Minimum Quotation Amount shall be deemed to be void and will be disregarded for any auction.

"Payment Redirection Notice" means, in respect of each ECA Facility Agreement, the notice substantially in the form set out in Annex IV of the Collateral Security Agreement to be served by the Beneficiary to each of the ECA Facility Agreement Debtors upon the delivery by the Beneficiary (in its capacity as Lender) to the Collateral Security Provider (in its capacity as Borrower) of an Loan Enforcement Notice.

"Quotation" means in relation to the ECA Facility Agreement Receivables (or a portion thereof), once the enforcement of the Collateral Transfer, pursuant to clause 11 of the Collateral Security Agreement, has been initiated, a firm bid (expressed in the form of a percentage of the Quotation Amount or portion thereof), obtained from a Dealer on such auction date (including accrued but unpaid interests) and which shall be valid for at least one (1) hour. For the avoidance of doubt the Dealers will be provided with (i) the Quotation Amount and (ii) the Minimum Quotation Amount, of the ECA Facility Agreement Receivables in order to be able to provide their Quotations as a percentage thereof.

"Quotation Amount" means the outstanding principal balance (including accrued but unpaid interests) of each of the foreclosed ECA Facility Agreement Receivables.

"Rating Agencies" means Fitch, Moody's and S&P.

"**S&P**" means Standard & Poor's (a division of The McGraw-Hill Companies) or any of its successors or assigns.

"**Security Period**" means the period beginning on the date hereof and ending on the date on which all the Guaranteed Obligations have been paid and discharged in full.

"**Security Report**" means a report substantially in the form set out under Annex V (*Form of Security Report*) of the Collateral Security Agreement to be prepared and delivered to the Beneficiary by the Collateral Security Provider on each Security Report Date.

"**Security Report Date**" means the date falling on the last Business Day of each month.

"**Security Trustee**" means BNY Mellon Corporate Trustee Services Limited, a private limited company incorporated under the laws of England and Wales with registration number 02631386, whose registered office is at 40th Floor, One Canada Square, London, E14 5AL.

"**Servicing Standard**" means the requirement that the Collateral Security Provider diligently service and administer the Assigned Assets and use reasonable care in the performance of its obligations hereunder and thereunder and in the exercise of any rights delegated to it by the Beneficiary pursuant to the Collateral Security Agreement in respect of the Assigned Assets in the best interests of and for the benefit of the Beneficiary (as determined by the Collateral Security Provider in its good faith and reasonable judgment) in accordance with applicable law, the terms of the Collateral Security Agreement and the Assigned Assets and to the extent consistent with the foregoing, in accordance with the customary and usual standards of practice of reputable export credit lenders of international standing servicing their own loans and guarantees, with a view to the timely collection of all sums due in respect of the Assigned Assets and the maximisation of recovery of principal and interest of the Assigned Assets (as determined by the Collateral Security Provider in its good faith and reasonable judgment) without regard to any relationship that the Collateral Security Provider may have with the ECA Facility Agreement Debtors.

"**Transaction Dealer**" means (i) the Auction Agent or (ii) any noteholder under the Transaction Documents or any investor holding a direct or indirect interest in the Notes "**Weighted Average Quotation**" means the weighted average of such Partial Quotation(s) which, in aggregate, amount to the full Quotation Amount of the ECA Facility Agreement Receivables taking into account the combination of Quotations resulting in the highest possible Weighted Average Quotation.

"**Weighted Average Partial Quotation**" means the weighted average of such Partial Quotation(s) which, in aggregate, amount to less than the full Quotation Amount of the ECA Facility Agreement Receivables taking into account the combination of Quotations resulting in the highest possible Weighted Average Partial Quotation.

General

On or around 21 May 2013, the Issuer as Beneficiary (the "**Beneficiary**"), the Borrower (as Collateral Security Provider (the "**Collateral Security Provider**")) and the Beneficiary Agent have entered into a collateral security agreement (the "**Collateral Security Agreement**") pursuant to which the Borrower will transfer by way of security (*transmisión de la propiedad de un derecho de crédito dado en garantía*) all its rights in and under (i) the ECA Loan originated by the Borrower (ii) the ECA Guarantee granted by the ECA Guarantor and (iii) any other ancillary rights relating to such ECA Loan (the "**Related Security**") (collectively, the "**Assigned Assets**") in favour of the Beneficiary in accordance with, and with the benefit of the provisions of, Royal Decree Law 5/2005 of 11 March ("**RDL 5/2005**") of Spain, as security for the complete and punctual fulfilment of the Guaranteed Obligations under the Issuer/Borrower Loan Agreement.

Eligibility Criteria

The Collateral Security Provider represents and warrants for the benefit of the Beneficiary on the date of the Collateral Security Agreement (and, in respect of (c), (d), (e), (f), (h), (i) and (n) below, on each Security Report Date) that the ECA Facility Agreement Receivables arising out of ECA Facility Agreement Documents in relation to the ECA Facility Agreement satisfy the eligibility criteria (the "**Eligibility Criteria**") including but not limited to the following:

- (a) each ECA Facility Agreement Receivable is denominated and payable in Euros;
- (b) an ECA Guarantee has been issued or granted in relation to the ECA Facility Agreement by an ECA Guarantor;
- (c) the loan agreement documenting the relevant ECA Facility Agreement constitutes a valid and binding obligation of, and is enforceable against, the ECA Facility Agreement Debtor;
- (d) the ECA Facility Agreement can be validly transferred by way of security to the Beneficiary pursuant to RDL 5/2005 and such assignment is enforceable against the Collateral Security Provider and third parties under applicable law;
- (e) the guarantee agreement documenting the ECA Guarantee constitutes a valid and binding obligation of, and is enforceable against, the ECA Guarantor;
- (f) the benefit of the ECA Guarantee can be validly assigned by way of security to the Beneficiary pursuant to RDL 5/2005 and such assignment is enforceable against the ECA Guarantor and third parties under applicable law;
- (g) the ECA Facility Agreement Debtor and the ECA Guarantor are located in a jurisdiction from which payments of interest and/or capital will be made to the Beneficiary free of withholding taxes or any other taxation;
- (h) the ECA Facility Agreement under which the ECA Facility Agreement Receivable arises is a performing loan;
- (i) the ECA Guarantee must be, at any time, in full force and effect;
- (j) the terms of the ECA Guarantee must provide for a Payment Default Period of not more than 120 days, where "**Payment Default Period**" means, with respect to an ECA Guarantee, the maximum period from and including a date on which any amount of principal and/or interest under the ECA Loan falls due or is deemed to fall due under such ECA Loan, to the date on which the ECA Guarantor is obliged under the terms of the ECA Guarantee to make payment in respect of such unpaid amounts to the Collateral Security Provider;
- (k) all amounts available under the ECA Facility Agreement have been fully drawn;
- (l) the legal final maturity date of the ECA Facility Agreement under which the ECA Facility Agreement Receivable arises shall not exceed the Notes Scheduled Maturity Date which falls at least 24 months short of the Notes Final Maturity Date;
- (m) the ECA Facility Agreement Debtor is not entitled to exercise rights of set-off against the Collateral Security Provider under an ECA Facility Agreement;
- (n) the legal final maturity of the ECA Facility Agreement cannot be extended under the ECA Facility Agreement Documents; and

- (o) the principal amount outstanding of the ECA Facility Agreement cannot be reduced, converted to equity interests or discharged in any other form, in lieu of repayments in cash by the ECA Facility Agreement Debtor(s) under the ECA Facility Agreement Documents.

Representations and Warranties

The Collateral Security Provider also makes the following representations and warranties in favour of the Beneficiary:

- (a) the ECA Facility Agreement Receivables arising from the ECA Facility Agreement Documents meet all of the Eligibility Criteria;
- (b) no payment default by any ECA Facility Agreement Debtor has occurred and is continuing;
- (c) none of the events described in clauses 18.5 (*Insolvency*) and 18.6 (*Insolvency proceedings*) of the Issuer / Borrower Loan Agreement has occurred in relation to any ECA Facility Agreement Debtor, nor any other default under any ECA Facility Agreement Document;
- (d) the ECA Facility Agreement Receivables are capable of being validly transferred by way of security, with the effects set forth under RDL 5/2005, subject to the formalities set out in Annex I of the Collateral Security Agreement being fulfilled;
- (e) no further formalities or requirements regarding the ECA Facility Agreement Documents (including for the avoidance of doubt, and without limitation, any amendment of the ECA Facility Agreement Documents or supplement thereto), other than those set out in Annex I of the Collateral Security Agreement, are required in order to ensure the validity and enforceability vis-à-vis the ECA Facility Agreement Debtors and/or any third parties, of the transfer by way of security (*transmisión de la propiedad de un derecho de crédito dado en garantía*) to the Beneficiary of the ECA Facility Agreement Receivables related to the ECA Facility Agreement Documents;
- (f) there are no legal restrictions on the Collateral Security Provider's ability to transfer by way of security (*transmisión de la propiedad de un derecho de crédito dado en garantía*) the ECA Facility Agreement Receivables pursuant to the Collateral Security Agreement and the terms of RDL 5/2005;
- (g) no ECA Facility Agreement Receivable is affected by any security, contractual set-off or counterclaim or other preferential right in favour of a third party (other than those statutory rights and privileges existing in favour of certain creditors and the security created by the Collateral Security Agreement);
- (h) the Collateral Security Provider is not aware of any circumstances negatively affecting any ECA Facility Agreement Debtor's financial condition or negatively affecting any ECA Facility Agreement Document;
- (i) each ECA Facility Agreement Document is in full force and effect and has not been terminated and the moneys expressed to be payable under such contracts are payable in full on the dates specified in those contracts;
- (j) there have been no agreements in relation to any ECA Facility Agreement Document which materially affects any ECA Facility Agreement Debtor's payment obligations thereunder;
- (k) to the best of the Collateral Security Provider's knowledge there is no outstanding breach under any ECA Facility Agreement Document;

- (l) there are no amounts pending to be withdrawn under any of the ECA Facility Agreements, which has been fully withdrawn;
- (m) each ECA Facility Agreement Document is valid and binding under each applicable law, being enforceable under its own terms against the relevant ECA Facility Agreement Debtor or relevant third party;
- (n) to the best of the Collateral Security Provider's knowledge, the ECA Facility Agreement Debtor has obtained all authorisations (which are in full force and effect) required in relation to its obligations under the relevant ECA Facility Agreement Document;
- (o) there are no ongoing disputes regarding any ECA Facility Agreement Documents which affects the amounts due (and their due dates) in respect of such ECA Facility Agreement Documents; and
- (p) the Collateral Security Provider is not aware of any Force Majeure Event existing under any ECA Facility Agreement Document in relation to the Assigned Assets.

The foregoing representations and warranties are made by the Collateral Security Provider on the date of the Collateral Security Agreement and shall be deemed to be repeated (except for those included in (a), (b), (c), (h), (j), (k), (m), (n) and (o)) on each Security Report Date.

Security Report

Pursuant to the Collateral Security Agreement, the Collateral Security Provider will, on each Security Report Date and on the basis of the information available as at the second Business Day immediately preceding such Security Report Date, provide the Beneficiary and the Noteholder with a completed Security Report.

The Beneficiary and the Noteholder will review within a period of ten (10) Business Days from the date of receipt of the Security Report the information set out therein.

If, as a result of such review, the Beneficiary and/or the Noteholder conclude that, in its reasonable opinion, the information provided in the corresponding Security Report is incorrect, incomplete or inaccurate in any respect, they shall notify such disagreement to the Collateral Security Provider, who will provide them with a revised Security Report within a period of two (2) Business Days. Should the Beneficiary and/or the Noteholder not provide a notification where it accepts the Security Report or manifests its disagreement within ten (10) Business Days as specified in the Collateral Security Agreement, it shall be deemed to have accepted it.

However, if the Collateral Security Provider (acting reasonably) does not agree to the changes requested by the Beneficiary and/or the Noteholder, the Parties undertake to negotiate in good faith with the aim of agreeing a revised Security Report.

Asset Servicing and Management

- a) Pursuant to the Collateral Security Agreement, the Beneficiary appoints the Collateral Security Provider as its agent to carry the management, enforcement, servicing, collection and exercise of the ECA Facility Agreement Receivables (including, for the avoidance of doubt, the exercise of the Non-Credit Rights) in accordance with the terms of the Collateral Security Agreement.

The Collateral Security Provider will accept such appointment and undertake to perform such management, enforcement, servicing, collection and exercise of the ECA Facility Agreement Receivables (including, for the avoidance of doubt, the exercise of the Non-Credit Rights) in

accordance with the provisions of the Collateral Security Agreement, and in any case, for as long as the appointment remains effective, following the Servicing Standard.

The Collateral Security Provider will undertake not to interfere with the Beneficiary's material rights under the Collateral Security Agreement. The appointment of the Collateral Security Provider as agent to the Beneficiary will not entail any fee or consideration in its favour; any costs and expenses incurred by the Collateral Security Provider pursuant to the exercise of its functions, as described in this paragraph, will be borne by the Collateral Security Provider so the Beneficiary or the Beneficiary Agent will not be responsible for any of those costs or expenses whatsoever.

- b) The Collateral Security Provider, when acting as servicer of the ECA Facility Agreement Receivables, but not for the avoidance of doubt, following delivery of a Loan Enforcement Notice by the Beneficiary as specified in the Collateral Security Agreement, will:
 - (i) have full power and authority, acting alone, to exercise the rights and powers and to perform the obligations of the Beneficiary under, or related to, the ECA Facility Agreement Receivables in performing its servicing and administration duties in relation to the ECA Facility Agreement Receivables and to do or cause to be done any and all things in connection with such servicing and administration which it may deem necessary or desirable;
 - (ii) conduct all communications and dealings with the ECA Borrower and (to the extent not prohibited by the ECA Facility Agreement) the other obligors and counterparties in relation to all matters concerning the Assigned Assets, including, without limitation, the giving of any notices, waivers, consents or approvals on behalf of the Issuer under or in relation to the Assigned Assets;
 - (iii) conduct all communications and dealings with the ECA Guarantor in relation to the ECA Guarantee and related ECA Facility Agreement, including making any claims for payment under the ECA Guarantee and/or taking any other action contemplated by the related ECA Facility Agreement, in each case, to the full extent permitted thereby; and
 - (iv) without limiting any of the foregoing, exercise all rights of the Beneficiary under the ECA Facility Agreement.

In performing its servicing functions, the Collateral Security Provider shall obtain prior written consent from the Security Trustee in relation to any modifications, extensions, amendments, waivers or restructurings relating to the ECA Facility Agreement Receivables where related to the maturity date, currency, interest basis, spread, reduction or release of guarantee or security, and/or reduction of the amounts payable under the ECA Facility Agreement Documents, or, in general, when such modifications, extensions, amendments, waivers or restructurings could negatively affect the value of the ECA Facility Agreement Receivables.

- c) Additionally, the Collateral Security Provider shall, without prejudice to any of its specific obligations pursuant to the Collateral Security Agreement:
 - (i) notify the Beneficiary and the Security Trustee as soon as reasonably practicable upon becoming aware in the event of any of the following:
 - (1) any written notification from any of the ECA Facility Agreement Debtors of its intention to exercise, or the actual exercise of, any right of, set-off in respect of amounts due under the ECA Facility Agreement or the ECA Guarantee;

- (2) any written notification from any of the ECA Facility Agreement Debtors, a court or any other person or entity of any challenge to the title, or other material right, of the Beneficiary to the Assigned Assets; and
 - (3) any written notification from any of the ECA Facility Agreement Debtors, a court or any applicable tax authority or any other person or entity of any imposition or intended imposition of any withholding tax in respect of any payment under the ECA Facility Agreement and the ECA Guarantee;
 - (ii) upon becoming aware of the same, promptly notify the Beneficiary and the Security Trustee of a payment default or other breach by any of the ECA Facility Agreement Debtors of the terms of any Assigned Asset;
 - (iii) save as otherwise provided or as otherwise contemplated in this paragraph, if so instructed by the Beneficiary or the Security Trustee, take such action as is necessary to preserve and/or exercise and/or enforce any of the Beneficiary's rights under or pursuant to the Assigned Assets.
- d) The Collateral Security Provider will continue carrying out exercising the Non-Credit Rights relating to the relevant ECA Facility Agreement Documents until the delivery of a Loan Enforcement Notice, when the Assigned Assets Back-Up Servicer will substitute the Collateral Security Provider as servicer of the Assigned Assets in accordance with the terms of the Collateral Security Agreement.

As soon as a Loan Enforcement Notice is served, the appointment of the Collateral Security Provider as agent to the Beneficiary will be automatically revoked with no need of further notice on such regard. Simultaneously to the revocation of the appointment of the Collateral Security Provider, the Back-Up Servicer will start exercising the Non-Credit Rights relating to the relevant ECA Facility Agreement Documents on behalf of the Beneficiary.

To this end, the Collateral Security Provider undertakes to carry out, at its own cost, any actions, and/or enter into any documents (including notifications) to ensure the valid exercise of the Non-Credit Rights relating to the relevant ECA Facility Agreement Documents by the Back-Up Servicer.

- e) Without prejudice to the right of the Beneficiary to terminate the appointment of the Collateral Security Provider as agent in case of breach of any of its duties and obligation under the Collateral Security Agreement, the appointment of the Collateral Security Provider as agent of the Beneficiary pursuant to the terms of the Collateral Security Agreement will remain effective until the earlier of: (i) the delivery, by the Beneficiary to the Collateral Security Provider, of a Loan Enforcement Notice or (ii) the full repayment of the Guaranteed Obligations and the consequent return carried out pursuant to the Collateral Security Agreement.

In the event that (i) the Collateral Security Provider ceases to have a long term debt rating by Moody's equal or higher than Baa3; (ii) a Loan Enforcement Notice is served; or (iii) the Beneficiary terminates the appointment of the Collateral Security Provider as agent in case of breach of its duties as servicer, pursuant to the Collateral Security Agreement, the Back-Up Servicer Facilitator must appoint a Back-Up Servicer who, within thirty (30) Business Days from the loss of rating, shall enter into an Assigned Assets Back-Up Servicing Deed with, *inter alios*, the Beneficiary and the Back-Up Servicer Facilitator, in the form substantially included as Annex VIII to the Collateral Security Agreement. The entity designated as Back-Up Servicer shall be a reputed international financial entity with a recognized prestige in the capital markets for carrying out these types of services and a proved track record in dealing with export credit agency guaranteed assets (ECA assets). Additionally, its

long-term unsecured, unguaranteed and unsubordinated rating, given by Moody's shall be, at least, equal to A3.

For the purposes of such appointment, the Back-Up Servicer Facilitator shall communicate in writing to the Collateral Security Provider the entity it designates as Back-Up Servicer. The Beneficiary and the Collateral Security Provider will grant their express consent to the choice made by the Back-Up Servicer Facilitator, as long as it complies with the requirements set out in the above paragraph.

As noted above, notwithstanding the appointment of a Back-Up Servicer and execution of an Assigned Assets Back-Up Servicing Deed, the servicing of the Assigned Assets will continue being carried out by the Collateral Security Provider (i) until a Loan Enforcement Notice is delivered by the Beneficiary or (ii) the Beneficiary terminates the appointment of the Collateral Security Provider as agent in case of breach of its duties as servicer, pursuant to the Collateral Security Agreement. Only once a Loan Enforcement Notice is delivered by the Beneficiary, or the Beneficiary has terminated the appointment of the Collateral Security Provider as agent in case of breach of its duties as servicer, pursuant to the Collateral Security Agreement, will the Back-Up Servicer substitute the Collateral Security Provider and start to perform all rights and obligations relating to servicing and administration of the Assigned Assets, following the terms and conditions of the Assigned Assets Back-Up Servicing Deed. The role to be performed by the Back-Up Servicer will include, but not be limited to:

- (a) with full power and authority, acting alone, to exercise the rights and powers and to perform the obligations of the Beneficiary under, or related to, the Assigned Assets, including in performing its servicing and administration duties in relation to the Assigned Assets and to do or cause to be done any and all things in connection with such servicing and administration which it may deem necessary or desirable;
- (b) conduct all communications and dealings with the borrower under the ECA Facility Agreement (to the extent not prohibited by the ECA Facility Agreement) and the other obligors and counterparties in relation to all matters concerning the Assigned Assets, including, without limitation, the giving of any notices, waivers, consents or approvals on behalf of the Beneficiary under or in relation to the Assigned Assets;
- (c) to the extent permitted as Back-up Servicer, conduct all communications and dealings with the ECA Guarantor in relation to the ECA Guarantee and the other related ECA Facility Agreement Documents, including making any claims for payment under the ECA Guarantee and/or taking any other action contemplated by the related ECA Facility Agreement Documents, in each case, to the full extent permitted thereby;
- (d) without limiting any of the foregoing, following the enforcement of the Issuer/Borrower Loan, exercise all rights of the Beneficiary under the ECA Facility Agreement and ECA Guarantee; and
- (e) as soon as the Back-up Servicer is aware of any payment default or other breach by any of the ECA Facility Agreement Debtors in connection with any ECA Facility Agreement Document, it shall notify promptly the Beneficiary, the Security Trustee, the Cash Manager and Moody's. All payments and amounts due in relation to the ECA Facility Agreement Receivables, including any payment obligation from the ECA Guarantor pursuant to the ECA Guarantee relating to an Assigned Asset, shall be deposited in the Collection Account.

Upon delivery of a Loan Enforcement Notice, the Back-Up Servicer (on behalf of the Beneficiary), will automatically start collecting directly all payments and amounts due by the ECA Facility

Agreement Debtors arising out of any ECA Facility Agreement Receivable, which shall be deposited in the Issuer Main Account for the benefit of the Beneficiary.

To this end, the Collateral Security Provider undertakes, at such time as the Back-Up Servicer is appointed, to carry out, at its own cost, any actions, and/or sign any documents (including notifications) to ensure the redirection of collections under the ECA Facility Agreement Receivables and exercise of the Non-Credit Rights by the Back-Up Servicer (acting on behalf of the Beneficiary).

Additionally, the Collateral Security Provider has authorized the Collection Account Bank to transfer immediately into the Issuer Main Account any amounts deposited in the Collection Account once a Payment Redirection Notice has been served and notice has been served to such end by the Beneficiary.

Withdrawals from Collection Account

All amounts deposited in the Collection Account are collected by the Collateral Security Provider on behalf of the Beneficiary and kept by the Collateral Security Provider on behalf of the Beneficiary as security for the full fulfilment of the Guaranteed Obligations. Therefore, the Collateral Security Provider will only be entitled to withdraw amounts from the Collection Account in order to make payments of principal and interest (if applicable) to the Beneficiary in accordance with the Issuer/Borrower Loan Agreement and the Borrower Deed of Charge.

Additionally, if, at any time before full repayment of the Guaranteed Obligations occur and prior to the occurrence of a Loan Event of Default, the sum of the amounts deposited in the Collection Account and the outstanding ECA Facility Agreement Receivables amount is above the amounts outstanding under the Guaranteed Obligations, the Collateral Security Provider, by sending notice to the Beneficiary Agent and obtaining the prior written consent of the Beneficiary in accordance with the Borrower Deed of Charge, will be entitled to freely dispose of an amount equal to such difference.

Enforcement

Following the delivery of a Loan Acceleration Notice or the occurrence of an Event of Default under Clause 18.1 (*Non-payment*) of the Issuer/Borrower Loan (a "**Loan Payment Event of Default**"), the Beneficiary (or the Beneficiary Agent or any duly authorised representative of the Beneficiary) will be entitled to deliver to the Collateral Security Provider a Loan Enforcement Notice.

Upon service by the Beneficiary (or the Beneficiary Agent or any other duly authorised representative of the Beneficiary) of a Loan Enforcement Notice, the Beneficiary (or the Beneficiary Agent or any duly authorised representative of the Beneficiary) may, without any prior notice to the Collateral Security Provider, enforce the Collateral Transfer (whether totally or partially) in accordance with the relevant provisions of RDL 5/2005, any other law, if applicable, or in accordance with any other available enforcement proceeding elected by the Beneficiary as its own discretion, in order to cover any and all of the Guaranteed Obligations and the Beneficiary (or the Beneficiary Agent or any other duly authorised representative of the Beneficiary) will deliver a Payment Redirection Notice to all ECA Facility Agreement Debtors.

Upon service of a Loan Enforcement Notice, the Collateral Security Provider undertakes under the Collateral Security Agreement to transmit to the Beneficiary or any of its duly authorised representatives, any and all Asset Records relating to the Assigned Assets, as soon as possible, transfer into the Issuer Main Account, all the funds deposited in the Collection Account, and transfer into the Issuer Main Account all funds received from any ECA Facility Agreement Debtors at any time following receipt of a Loan Enforcement Notice.

The Collateral Transfer may be enforced by sale or appropriation (*venta o apropiación*) of all of the ECA Facility Agreement Receivables by the Beneficiary or by set-off or application by the Beneficiary of all of the relevant ECA Facility Agreement Receivables, to discharge the Guaranteed Obligations (*compensación de su valor o aplicación del mismo al cumplimiento de las obligaciones financieras principales*). Therefore and for the avoidance of doubt the Beneficiary will be entitled to appropriate all of the ECA Facility Agreement Receivables or to sell all of the ECA Facility Agreement Receivables or set off of all of the relevant ECA Facility Agreement Receivables pursuant to the Collateral Security Agreement.. For the avoidance of doubt, appropriation of the relevant ECA Facility Agreement Receivables shall be understood as consolidation of ownership of such ECA Facility Agreement Receivables for the benefit of the Beneficiary. The amount due and payable in the event of enforcement of the Collateral Transfer will be the one determined in accordance with Clause 35.2 (*Executive proceedings before the Spanish Courts. Determination of Balance Due in the Event of Enforcement before Spanish courts*) of the Issuer/Borrower Loan Agreement.

For the avoidance of doubt, the use of one particular method of enforcement under RDL 5/2005, for all of the ECA Facility Agreement Receivables shall not prevent the Beneficiary from enforcing all of the ECA Facility Agreement Receivables pursuant to any other method of enforcement under RDL 5/2005, pursuant to the Collateral Security Agreement.

For the avoidance of doubt, the parties to the Collateral Security Agreement will expressly agree that the Beneficiary may, at any time, following the delivery of a Loan Enforcement Notice and regardless of whether the Collateral Transfer has previously been, or is in the process of being, enforced, fully or partially, bring the necessary legal proceedings in order to claim the full amount of the Guaranteed Obligations pursuant to any available action or remedy.

For the avoidance of doubt, the Parties hereby expressly agree that the Beneficiary may, at any time, following the delivery of a Loan Enforcement Notice and regardless of whether the Collateral Transfer has previously been, or is in the process of being, enforced, bring the necessary legal proceedings in order to claim the full amount of the Guaranteed Obligations pursuant to any available action or remedy. The Beneficiary and the Collateral Security Provider agree that the enforcement of the Collateral Transfer will imply the cancellation or extinction of any obligation to return the ECA Facility Agreement Receivables to the Collateral Security Provider until the Guaranteed Obligations have been repaid in full, when the Beneficiary must return any ECA Facility Agreement Receivables which result in excess of the enforcement.

Upon the delivery of a Loan Enforcement Notice, the Beneficiary (or the Beneficiary Agent or any other duly authorised representative of the Beneficiary) will (i) deliver to the Borrower a notice on regards of the ECA Facility Agreement Receivables indicating the commencement of the enforcement process and (ii) execute and date the transfer certificate held in escrow in accordance with the terms of the Collateral Security Agreement and shall deliver a copy of such duly executed transfer certificates to the ECA Facility Agreement Debtors where applicable.

For the purposes of the enforcement of the Collateral Transfer, the "Enforcement Value" of the Collateral Loan Receivable shall be determined by means of an auction undertaken by the Beneficiary (or the Auction Agent) in respect of the ECA Facility Agreement Receivables within twenty (20) Business Days following the delivery of a Loan Enforcement Notice. For the purposes of such auction:

- (a) The Dealers will be asked to provide Quotations for an amount equal to the Quotation Amount but shall only be entitled to provide Quotations for an amount which is not lower than the Minimum Quotation Amount.
- (b) The Beneficiary (or the Auction Agent or any agent or delegate appointed on its behalf) will follow arm's length principles when undertaking the auctions and dealing with the Dealers.

- (c) The Beneficiary (or the Auction Agent or any agent or delegate appointed on its behalf) will undertake one auction in which it will attempt to obtain, on the auction date, in respect of the ECA Facility Agreement Receivables, three or more Full Quotations, or if not available, (one or two Full Quotations or, if not available, two or more Partial Quotations (which, in aggregate, amount to the full Quotation Amount of the ECA Facility Agreement Receivables) from such Dealers it deems appropriate at its sole discretion, provided that at least one External Dealer, shall be invited to such auction.

If, in accordance with the above and regarding the relevant ECA Facility Agreement Receivables:

- (i) The Beneficiary or the Auction Agent is able to obtain one or more Full Quotation(s) at par or above par from the Dealers (including at least one Full Quotation from one External Dealer), the Final Price Amount shall be the result of applying the highest Full Quotation obtained (expressed as a percentage), from such Dealers (including for the avoidance of doubt, Full Quotations, if any, obtained from Transaction Dealers), to the Quotation Amount of the relevant ECA Facility Agreement Receivable;
- (ii) if no Full Quotation(s) at par or above par have been obtained from at least one External Dealer by the Auction Agent, but two or more Partial Quotations at par or above par have been obtained from External Dealer(s), (which, in aggregate, amount to the full Quotation Amount of the ECA Facility Agreement), the Final Price Amount shall be the result of applying the highest between (i) the Full Quotation(s), if any, from Transaction Auction Dealer(s) and (ii) the Weighted Average Quotation of the Partial Quotations obtained from Dealers (including Transaction Dealers) (expressed as a percentage), to the Quotation Amount of the relevant ECA Facility Agreement Loan Receivables.

If there are only Quotations received from Transaction Dealers, no Quotation is received or the Partial Quotations received from External Dealers amount to an aggregate figure that is lower than the Quotation Amount, the first auction will be declared unsuccessful and the Beneficiary Agent will proceed to organise a second auction.

- (d) The Beneficiary designates the Auction Agent as its representative in the auction of the ECA Facility Agreement Receivables, in the capacity of vendor, and authorises it to enter into the corresponding transfer documents on behalf of the Beneficiary (including notarised documents), in favour of the transferee, including the situation where the transferee is the same legal entity as the Auction Agent and may incur in self-contracting.
- (e) Each auction shall be announced by the Auction Agent, at least, ten (10) calendar days in advance. The auction will be notified by the Auction Agent to the Collateral Security Provider with the same prior notice. Such notice to the Collateral Security Provider will also duly identify the auction date and time.
- (f) If the first auction is not successfully completed, the Auction Agent shall attempt to obtain one or more Full Quotation(s), or, if not available, two or more Partial Quotations, or, if not available, one or two Partial Quotation on a second auction. For the avoidance of doubt the second auction shall be valid even if no quotations from External Dealers are obtained. The date of the second auction will be selected by the Auction Agent at its sole discretion and, in any case, will take place no later than twenty (20) Business Days following the first auction date.

If, in accordance with the above and regarding the relevant ECA Facility Agreement Receivables, in his second auction:

- (i) the Auction Agent is able to obtain one or more Full Quotation(s) at par or above par, the Final Price Amount shall be the result of applying the highest Full Quotation obtained (expressed as a percentage) to the Quotation Amount of the relevant Collateral Loan Receivable, or
- (ii) if no Full Quotation(s) at par or above par have been obtained by the Auction Agent but two or more Partial Quotations (which, in aggregate, amount to the full Quotation Amount of the ECA Facility Agreement, at par or above par) have been obtained, the Final Price Amount shall be the result of applying the Weighted Average Quotation of such Partial Quotations (expressed as a percentage) to the Quotation Amount of the ECA Facility Agreement Receivable.

If as a result of the auction process described above, the Final Price Amount of the ECA Facility Agreement Receivables obtained is, at least, equal to the principal amounts due under the ECA Facility Agreement (and any accrued but unpaid interest), the Beneficiary (or the Auction Agent acting on its behalf) may sell the relevant ECA Facility Agreement Receivables to the Dealer(s) offering the highest Quotation in line with the conditions above and upon the transfer being perfected and the payment of the price thereof being fully and irrevocably settled, deliver to the Collateral Security Provider a notice evidencing the Final Price Amount, less any accrued costs, taxes (if any) and expenses incurred in relation with the auction, received by the Beneficiary from the relevant Dealer.

The Beneficiary (or the Auction Agent acting on its behalf) will transfer to the successful Dealer(s) all ECA Facility Agreement Receivables and for these purposes, the Collateral Security Provider, undertakes to, at its cost, carry out any actions and/or enter into any documents necessary or convenient to carry out such transfer. Additionally the transfer to the successful Dealer(s) of all ECA Facility Agreement Receivables will be only effective once any requirement, condition or formality which might be needed in order to effect such transfer is complied with. For the avoidance of doubt, the transfer of the ECA Facility Agreement Receivables to the relevant Dealer(s) will be only possible once any consent or authorization needed to such end from the relevant ECA Facility Agreement Debtor is obtained. The Beneficiary (or the Auction Agent acting on its behalf) will use its best efforts to comply with all those requirements, conditions or formalities (including the consent from the relevant ECA Facility Agreement Debtors), cooperating with the relevant Dealer.

The successful Dealer(s) shall deposit in the account designated by the Beneficiary by means of a wire transfer the amount corresponding to its/their Quotation(s). Failing payment thereof, or if for any reason the sale of all the ECA Facility Agreement Receivables to the successful Dealer(s) cannot be completed, including for the avoidance of doubt later refusal of consent from any ECA Facility Agreement Debtor, the Beneficiary may, at its own discretion undertake another auction (including for the avoidance of doubt a third auction) or acquire all of the ECA Facility Agreement Receivables by means of the process set forth below.

Once the amounts corresponding to the Quotation(s) are deposited in the designated account of the Beneficiary by the relevant Dealer(s), the Beneficiary will set-off such amounts against the amounts owed to it by the Collateral Security Provider under the Guaranteed Obligations. Upon full satisfaction of the Guaranteed Obligations any excess amounts from the proceeds obtained with the sale of the ECA Facility Agreement Receivables will be transferred to the Collateral Security Provider.

Notwithstanding the above, the Auction Agent shall have the option to buy the ECA Facility Agreement Receivables by offering the highest Quotation offered by the relevant Dealer(s). This shall

apply mutatis mutandis to the Auction Agent when acting as purchaser of the relevant ECA Facility Agreement Receivables.

However, if as a result of the auction process described above, the Final Price Amount of the ECA Facility Agreement Receivables obtained is lower than the principal amounts due under the ECA Facility Agreement (and any accrued but unpaid interest), the Beneficiary will automatically acquire the ECA Facility Agreement Receivables, by way of appropriation (*apropiación*), applying towards the satisfaction of the Guaranteed Obligations the value of the ECA Facility Agreement Receivables, which shall be equal to the Final Price Amount obtained pursuant to the auction process.

Notwithstanding, if no Final Price Amount of the ECA Facility Agreement Receivables can be determined, due to (i) the absence of Quotations or (ii) the Partial Quotations received amount to an aggregate figure that is lower than the Quotation Amount, the Beneficiary will acquire all of the ECA Facility Agreement Receivables, by way of appropriation (*apropiación*), applying towards the satisfaction of the Guaranteed Obligations the value of the ECA Facility Agreement Receivables. For the purposes of the Collateral Security Agreement, the value of the ECA Facility Agreement Receivables will be determined by the Independent Valuator.

For the purposes of the appointment of the Independent Valuator, the Beneficiary (or the Auction Agent acting on its behalf) will send to the Collateral Security Provider a list of at least three (3) entities from the names included in the definition of Independent Valuator. Within one (1) Business Day following receipt of the list, the Collateral Security Provider shall designate an entity to act as Independent Valuator. If the Collateral Security Provider does not designate an entity from the list provided by the Beneficiary (or the Auction Agent acting on its behalf) within the abovementioned period, the Beneficiary (or the Auction Agent acting on its behalf) will designate an entity to act as Independent Valuator from such list.

The Independent Valuator will carry out the valuation of the ECA Facility Agreement Receivables within seven (7) Business Days from its designation and will automatically notify the Collateral Security Provider and the Beneficiary once a final value has been achieved.

The Collateral Security Provider unconditionally and irrevocably undertakes to provide the Independent Valuator with any financial, commercial, legal or technical information requested by the Independent Valuator which might be deemed necessary for the valuation of the ECA Facility Agreement Receivables.

The Beneficiary will retain all rights and claims against the Collateral Security Provider for that part of the Guaranteed Obligations which is not fully discharged or which remains unsatisfied after the enforcement of the Collateral Security Agreement.

The Collateral Security Provider shall pay to the Beneficiary and the Auction Agent the amount of all costs and expenses (including legal fees) reasonably incurred by each of them in connection with the enforcement of the Collateral Transfer.

Auction Agent

Following the delivery of a Loan Enforcement Notice, the Beneficiary (or any duly authorised representative of the Beneficiary) shall appoint an entity to assume the role of Auction Agent.

For the purposes of the appointment of the Auction Agent, the Beneficiary (or the Beneficiary Agent or any other duly authorised representative of the Beneficiary) will send notice to the Initial Noteholder immediately upon the delivery of a Loan Enforcement Notice and, in any case, within the next two (2) Business Days after such delivery, offering to the Initial Noteholder the role of Auction Agent pursuant to the below.

The Initial Noteholder shall, within two (2) Business Days from the receipt of the above mentioned notice, accept or reject the appointment as Auction Agent by sending notice in that regard to the Beneficiary, it being understood that failure to respond after such period will be deemed as a refusal by the Initial Noteholder to accept the appointment as Auction Agent.

Following the refusal of the Noteholder to accept the appointment as Auction Agent, the Beneficiary will request the holders of the outstanding Notes (by Extraordinary Resolution) to appoint a reputed international financial entity with a recognized expertise and prestige in the capital markets for carrying out these types of services and a proven track record in the sale and trading of financial assets of similar characteristics to the ECA Facility Agreement Receivables as Auction Agent. For the avoidance of doubt, under no circumstances will the Beneficiary Agent be obliged to act as Auction Agent.

The Auction Agent will exercise any rights of the Beneficiary in relation to the enforcement of the Collateral Transfer, pursuant to the Collateral Security Agreement, including but not limited to:

- (a) organize the auction process, contacting potential External Dealers, preparing any materials and/or information packages needed for such purposes, receiving Quotations from the Dealers and any other required action which might be needed in order to ensure that, by means of the auction process, the value of the ECA Facility Agreement Receivables is maximized; and
- b) serve any notices to be provided by the Beneficiary and receive and/or acknowledge any notices, certifications and/or reports to be provided to the Beneficiary in relation to its organization of the auction process as described in (a) above.

The Auction Agent shall act as agent of the Beneficiary in respect of each step or action required to be carried out by the Beneficiary and/or exercise by the Beneficiary of its rights under the Collateral Security Agreement.

The Auction Agent must perform all such services with due care and attention and with the diligence required to duly exercise on a timely basis all the rights of the Beneficiary under the Collateral Security Agreement. At any time, prior to carrying out any actions in the name and on behalf of the Beneficiary, the Auction Agent reserves the right to seek timely and precise instructions from the holders of the outstanding Notes (by Extraordinary Resolution).

The Auction Agent will provide to the Beneficiary copies of all notices, communications, letters, schedules and other documents it enters into, receives and/or completes on behalf of the Beneficiary as soon as reasonably practicable after completing and/or receiving the same.

The Beneficiary will undertake to grant to the Auction Agent any powers of attorney that are reasonably necessary or convenient in order to provide, acting in the name and on behalf of the Beneficiary, the relevant services. Such powers of attorney will be duly executed in compliance with any necessary formalities required by any laws and regulations applicable to the Beneficiary.

Except as specifically provided in the Collateral Security Agreement, the Auction Agent has no obligations of any kind to any other Party under or in connection with the Collateral Security Agreement.

Borrower Deed of Charge

General

On or around the Closing Date, the Borrower will enter into an English law deed of charge (the "**Borrower Deed of Charge**") with the Issuer pursuant to which the Borrower will grant a charge

over amounts standing to the credit of the Collection Account as security for the full and punctual performance of the Borrower's obligations under the Issuer/Borrower Loan Agreement. Provided that no Payment Redirection Notice (as defined above) has been served, all payments including in respect of interest and principal or other amounts arising pursuant to the ECA Loan and/or ECA Guarantee and/or Related Security will be paid into the Collection Account.

Governing law

The Borrower Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Trust Deed

General

The Trust Deed will be entered into by BNY Mellon Corporate Trustee Services Limited (the "**Note Trustee**") and the Issuer. The Note Trustee will be appointed pursuant to the Trust Deed to represent the interests of the Noteholders and will agree to hold the benefit of the covenants of the Issuer contained in the Trust Deed on trust for the Noteholders.

Among other things, the Trust Deed:

- (a) sets out when, and the terms upon which, the Note Trustee will be entitled or obliged, as the case may be, to take steps to enforce, or to direct the Security Trustee to enforce, the Issuer's obligations under the Notes (or certain other relevant documents) and to enforce or realise the Issuer Security;
- (b) contains various covenants of the Issuer relating to repayments in respect of the Notes, to the conduct of its affairs generally and to certain ongoing obligations connected with its issuance of the Notes;
- (c) provides for the remuneration of the Note Trustee, the payment of expenses incurred by it in the exercise of its powers and the performance of its duties and provides for the indemnification of the Note Trustee against liabilities, losses and costs arising out of the Note Trustee's exercise of its functions;
- (d) provides that the determinations of the Note Trustee shall be conclusive and binding on the Noteholders;
- (e) sets out the extent of the Note Trustee's powers and discretions, including its rights to delegate the exercise of its powers or duties, to appoint agents, to seek and act upon the advice of certain experts and to rely upon certain documents without further investigation;
- (f) sets out the scope of the Note Trustee's liability for any fraud, negligence or wilful default in connection with the exercise of its functions;
- (g) sets out the terms upon which the Note Trustee may:
 - (i) without the consent of the Noteholders, waive or authorise any breach or proposed breach of covenant or provision by the Issuer or any other person, or direct the Security Trustee to waive or authorise any breach or any proposed breach by the Issuer or any other person of any of the covenants or provisions contained in any Transaction Document; or

- (ii) if directed by the Noteholders, determine that a Notes Event of Default or a potential Notes Event of Default shall not be treated as such;
- (h) sets out the terms upon which the Note Trustee may, without the consent of the Noteholders, make or sanction or direct the Security Trustee to make or sanction any modification to the Conditions or to the terms of the Trust Deed or any other Transaction Document; and
- (i) sets out the requirements for and organisation of meetings of the Noteholders.

The Trust Deed also contains provisions governing the retirement or removal of the Note Trustee and the appointment of a successor note trustee. The Note Trustee may at any time and for any reason resign as Note Trustee upon giving not less than 60 days' prior written notice to the Issuer. The holders of the Notes acting by Extraordinary Resolution may together remove the Note Trustee from office. No retirement or removal of the Note Trustee (or any successor trustee) will be effective until a corporation entitled by rules made under the Public Trustee Act 1906 or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee (a "**Trust Corporation**") has been appointed to act as successor note trustee.

The appointment of a successor note trustee shall be made by the Issuer or, where the Note Trustee has given notice of its resignation and the Issuer has failed to make any such appointment by the expiry of the applicable notice period, by the Note Trustee itself.

Governing law

The Trust Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

Assigned Assets Back-Up Servicing Deed

Appointment of the Assigned Assets Back-Up Servicer

Pursuant to the terms of the Collateral Security Agreement, the Issuer will appoint La Banque Postale as assigned assets back-up servicer facilitator in respect of the Assigned Assets (the "**Assigned Assets Back-Up Facilitator**") and the Assigned Assets Back-Up Facilitator shall be obliged to appoint a back-up servicer in respect of the Assigned Assets (the "**Assigned Assets Back-Up Servicer**") in the event that the Borrower's long term debt rating by Moody's falls below Baa3. The appointment of the Assigned Assets Back-Up Servicer will be subject to rating agency confirmation.

The Issuer, the Assigned Assets Back-Up Servicer, the Assigned Assets Back-Up Facilitator, the Borrower and the Security Trustee will further enter into a servicing agreement (the "**Assigned Assets Back-Up Servicing Deed**"), pursuant to which the Assigned Assets Back-Up Servicer (on being appointed as described above) shall perform all rights and obligations relating to the servicing and administration of the Assigned Assets on an Issuer/Borrower Loan Enforcement Notice being served. In particular, following the enforcement of the Issuer/Borrower Loan, the Assigned Assets Back-Up Servicer will perform all rights and obligations of the Issuer as transferee under the transfer certificate including all servicing and administrative duties including making claims under the Assigned Assets. In the course of performing its servicing functions, the Assigned Assets Back-Up Servicer will provide a report (the "**Servicer Report**") to, *inter alia*, the Cash Manager within six (6) Business Days immediately prior to a Payment Date detailing cash flow information arising out of the Assigned Assets (including without limitation whether an event of default has occurred in relation to such Assigned Asset).

In performing its servicing functions, the Assigned Assets Back-Up Servicer shall obtain prior written consent from the Security Trustee in relation to any modifications, extensions, amendments, waivers

or restructurings relating to the Assigned Assets where related to the maturity date, interest basis, spread, reduction or release of guarantees or security and/or reductions of the amounts payable under the ECA Facility Agreement or ECA Guarantee or, in general, where such modifications, extensions, amendments, waivers or restructurings could negatively affect the value of the Assigned Assets.

If on any day after the Assigned Assets Back-Up Servicer begins to perform servicing and administration functions in relation to the Assigned Assets, the Assigned Assets Back-Up Servicer is aware of any payment default or other breach by the ECA Borrower or the ECA Guarantor in connection with the Assigned Assets, the Assigned Assets Back-Up Servicer must promptly notify the Issuer, the Security Trustee and the Cash Manager of such payment default or other breach.

Cash Management Agreement

General

The Cash Manager, the Issuer and the Security Trustee will enter into a cash management agreement (a "**Cash Management Agreement**") pursuant to which the Cash Manager will provide certain cash management and investment services to the Issuer or Security Trustee, as the case may be, as more particularly described below.

Cash Flows

Pursuant to the Cash Management Agreement, the Cash Manager will undertake to procure that prior to the service of a Notes Enforcement Notice, the Issuer will deposit into the Issuer Main Account on or prior to each Payment Date all amounts paid to the Issuer under the Issuer/Borrower Loan Agreement.

Prior to the service by the Note Trustee on the Issuer of a Notes Enforcement Notice, the Cash Manager will, on behalf of the Issuer, transfer or direct or procure the transfer and application of amounts standing to the credit of the Revenue Ledger and the Expenses Ledger in accordance with the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments and the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments, as the case may be. Following the service of a Notes Enforcement Notice, any monies received or recovered by or on behalf of the Issuer and/or the Security Trustee and/or any receiver and recovered by the Security Trustee from the enforcement of the security for the Notes and realisation of the Trust Property will be distributed in accordance with the Notes Post-Enforcement Priority of Payments.

Cash Management Report

In connection with each Payment Date, the Cash Manager will agree in the Cash Management Agreement to prepare a report (the "**Cash Management Report**") in respect of the Notes containing information relating to, *inter alia*, the calculation of the amounts due and payable on the relevant Payment Date in respect of each of the items under the Loan Pre-Enforcement (Notes Pre-Enforcement Priority of Payments) and the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments.

No later than five (5) Business Days following each Payment Date, the Cash Manager shall provide or make available the relevant Cash Management Report to the Principal Paying Agent, to the Security Trustee, the Issuer, the Arranger and the Note Trustee. The Arranger shall forward a copy of the Cash Management Report to Moody's promptly upon receipt.

Ledgers

The Cash Manager will create and maintain on a segregated basis in the books of the Issuer the following ledgers on behalf of the Issuer in respect of the Issuer Main Account:

- (a) a revenue ledger (the "**Revenue Ledger**") in respect of all payments received by the Issuer into the Issuer Main Account, including:
 - (i) prior to the delivery of a Payment Redirection Notice:
 - (1) payments of principal and interest (if any) under the Issuer/Borrower Loan Agreement; and
 - (2) any amounts paid to the Issuer for its own account pursuant to an indemnity granted by a Transaction Party under a Transaction Document.
 - (ii) following the delivery of a Payment Redirection Notice (unless otherwise specified below):
 - (1) payments of principal and interest under the ECA Loan;
 - (2) payments made by the ECA Guarantor under the ECA Guarantee;
 - (3) any recoveries made in respect of any Related Security;
 - (4) following receipt by the Collateral Security Provider of a Loan Enforcement Notice as specified in clause 11.3 of the Collateral Security Agreement or following enforcement of the security granted pursuant to the Borrower Deed of Charge, amounts transferred from the Collection Account;
 - (5) any other recoveries from the Borrower under the Issuer/Borrower Loan Agreement;
 - (6) any disposal proceeds following the sale of all or part of the Assigned Assets; and
 - (7) any amounts paid to the Issuer for its own account pursuant to an indemnity granted by a Transaction Party under a Transaction Document,

(but other than in respect of the Net Upfront Fee, Further Fee Amounts and Extraordinary Expenses).
- (b) a borrower surplus ledger (the "**Borrower Surplus Ledger**") to which the Cash Manager shall:
 - (i) record to the credit of such ledger any amounts of Borrower Surplus which have accrued but not been paid under item (l) of the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments; and
 - (ii) record to the debit of such ledger any amounts of Borrower Surplus which have accrued and been paid under item (l) of the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments; and

- (c) an expenses ledger (the "**Expenses Ledger**") to which:
 - (i) the amount of Upfront Fee remaining after payment by the Issuer of certain agreed fees due and payable on or prior to the Closing Date (the "**Net Upfront Fee**"), and Extraordinary Expenses will be credited;
 - (ii) Further Fee Amounts paid by the Borrower to the Issuer will be credited; and
 - (iii) amounts equal to the costs and expenses payable by the Issuer on a Payment Date will be debited;
- (d) an enforcement costs and expenses ledger ("**Enforcement Ledger**") to which:
 - (i) the Enforcement Claim Reserve Amount will be credited; and
 - (ii) costs and expenses payable by the Issuer or the Security Trustee in connection with its defence of a challenge to the security interests granted by the Collateral Security Provider under the Collateral Security Agreement pursuant to RDL 5/2005 will be debited on such date as the Security Trustee shall determine.

The above ledgers will be used to monitor the receipt and subsequent utilisation of cash amounts available to the Issuer from time to time and will be credited and debited in the manner described below and the applicable Priority of Payments.

Calculations

Prior to the Issuer/Borrower Loan Enforcement, the Cash Manager shall calculate as at each Calculation Date, the "**Further Fee Amount**", being the amount required to ensure that the amount standing to the credit of the Expenses Ledger as at such Calculation Date is not less than EUR 340,000.

On and after the Issuer/Borrower Loan Enforcement, the Cash Manager shall calculate as at each Calculation Date the Borrower Surplus (if any).

Issuer Expenses

On or around the Closing Date, the Cash Manager will credit the Net Upfront Fee in an amount equal to EUR 1,004,800 to the Expenses Ledger. In addition, and at any time, any Extraordinary Expenses together with any Further Fee Amounts received by the Issuer from the Borrower pursuant to the terms of the Issuer/Borrower Loan Agreement will be credited to the Expenses Ledger.

On or after the Closing Date, the Cash Manager will credit an amount equal to the Enforcement Claim Reserve Amount to the Enforcement Ledger.

Prior to the service of a Notes Enforcement Notice, on each Payment Date, amounts equal to the amounts due and payable by the Issuer in respect of items (a), (c) and (d) of the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments and in respect of items (a), (b), (d), (e) and (f) of the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments shall be debited from the Expenses Ledger and shall form part of the Available Funds to be used for the making of payments of the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments and Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments, as the case may be.

On the Notes Scheduled Maturity Date and providing no Issuer/Borrower Loan Enforcement has occurred, the Issuer (or the Cash Manager on behalf of the Issuer) shall debit all amounts standing to

the credit of the Expenses Ledger and all such amounts shall form part of the Available Funds to be used for the making of payments of the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments and Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments, as the case may be.

Fees

Pursuant to the Cash Management Agreement, the Issuer will pay to the Cash Manager on each Payment Date a cash management fee as agreed between the Cash Manager and the Issuer and will reimburse the Cash Manager for all reasonable out-of-pocket costs expenses and charges properly incurred by the Cash Manager in the performance of its services under the Cash Management Agreement. The cash management fee will only be payable to the extent that the Issuer has sufficient funds to pay such amount as provided in the relevant Priority of Payments.

Resignation and termination

The appointment of the Cash Manager under the Cash Management Agreement may be terminated by virtue of its resignation or its removal by the Issuer. The Issuer may immediately or at any time thereafter while such default continues terminate the Cash Manager's appointment upon 60 days' written notice upon the occurrence of a termination event, which includes (subject to the terms of the Cash Management Agreement):

- (a) a default made by the Cash Manager in the payment on the due date of any payment due and payable by it (on behalf of the Issuer) under the terms of the Cash Management Agreement and such default continues unremedied for a period of two Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer requiring the same to be remedied;
- (b) a default (other than a failure to pay) is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the reasonable opinion of the Note Trustee is materially prejudicial to the interests of the Noteholders so long as any of the Notes remain outstanding or, if none of the Notes remains outstanding, the Security Trustee is directed in writing by each of the Secured Creditors to treat such event as a termination event under the Cash Management Agreement and (except where such default is incapable of remedy, when no such continuation and/or notice as is hereinafter mentioned shall be required) such default continues unremedied for a period of fifteen (15) Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Security Trustee requiring the same to be remedied;
- (c) a petition being presented or a resolution passed for the Cash Manager's winding up or the appointment of an administrative receiver or other insolvency official is appointed;
- (d) the Cash Manager being required to make any deduction or withholding for or on account of any taxes (including, without limitation, any FATCA Withholding Tax (as defined in the Master Definitions and Construction Agreement)) from any payment made or to be made by it pursuant to the terms of the Cash Management Agreement;
- (e) it becoming unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document to which it is a party (in such capacity); or
- (f) both (i) the Cash Manager has received notice that a Notes Enforcement Notice has been given or that the Notes have otherwise become due and payable in full; and (ii) so long as any

of the Notes remain outstanding, the Note Trustee determines that termination of the Cash Manager's appointment under this agreement is necessary to protect the interests of the Noteholders.

On the termination of the appointment of the Cash Manager by the Issuer or the Security Trustee, the Issuer may, subject to certain conditions, appoint a successor cash manager.

The Cash Manager may resign as Cash Manager upon the expiry of not less than 60 days' written notice of resignation to each of the Issuer and the Security Trustee, *provided that* on the expiry of such notice, *inter alia* (a) the Issuer (and, following the service of a Notes Enforcement Notice, the Security Trustee) consents in writing to such termination and the Issuer and the Security Trustee, have appointed a new cash manager on the same terms as those of the Cash Management Agreement and such substitute cash manager has management experience and is approved by the Issuer and (b) the Security Trustee is satisfied that security equivalent to the existing security interests created by the Issuer Security Agreements has been created in favour of the Security Trustee in respect of any new cash management agreement.

Governing law

The Cash Management Agreement and all non-contractual obligations arising out of or in connection with such agreement will be governed by and shall be construed in accordance with English law.

The Corporate Services Agreement

General

The Issuer has entered into a Corporate Services Agreement on or about the Closing Date with the Corporate Services Provider, pursuant to which the Corporate Services Provider will agree to provide corporate services and directors to the Issuer.

Governing law

The Corporate Services Agreement and all non-contractual obligations arising out of or in connection with such agreement will be governed by and shall be construed in accordance with Irish law.

The Bank Account Agreement

General

The Issuer will, pursuant to the terms of a Bank Account Agreement to be entered into on or about the Closing Date, open with the Account Bank a bank account denominated in Euros (the "**Issuer Main Account**") as the account from which it will (i) prior to the delivery of a Payment Redirection Notice receive payments of interest and principal under the Issuer/Borrower Loan Agreement and (ii) following the delivery of a Payment Redirection Notice, receive payments of interest and principal under any Assigned Asset (if any), any recoveries from the Borrower under the Issuer/Borrower Loan, and any disposal proceeds following the sale of all or part of the Assigned Assets (if any) and (iii) make its payments in accordance with relevant Priority of Payments.

The Issuer Main Account will be operated in accordance with the Bank Account Agreement, the Cash Management Agreement and the Issuer Security Documents.

The Account Bank will provide the Issuer, the relevant Cash Manager and the Security Trustee with account statements in respect of the Issuer Main Account upon request.

Interest

All amounts from time to time standing to the credit of the Issuer Main Account and the Issuer Domestic Account shall bear interest or charge at such rate as agreed between the Issuer and the Account Bank from time to time. Such interest shall accrue daily and shall be calculated on the basis of actual days elapsed in a year of 360 days.

Interest shall be credited to the Issuer Main Account and the Issuer Domestic Account monthly in accordance with the Account Bank's usual procedures.

All payments of interest by the Account Bank under this agreement shall be made in full without any deduction or withholding (whether in respect of set-off, counterclaim, duties, Taxes, charges or otherwise whatsoever) unless the deduction or withholding is required by law.

Restriction on exercise of certain rights

The Account Bank will, *inter alia*, waive any right it has or may acquire to combine, set-off, consolidate or merge the Issuer Main Account with any other account of the Issuer, the Cash Manager or the Security Trustee or any liabilities of the Issuer, the Cash Manager or the Security Trustee to the Account Bank.

Resignation and termination

The Account Bank may resign its appointment without giving reasons upon not less than 60 days' prior written notice to the Issuer, the Cash Manager and the Security Trustee and will not be responsible for any liabilities incurred by such resignation, provided that:

- (a) if such resignation would otherwise take effect less than 30 days before the date on which the Notes have been redeemed in full, it will not take effect until the thirtieth day following such date; and
- (b) such resignation will not take effect until a successor has been duly appointed by the Issuer or, following steps being taken by the Security Trustee to enforce the Issuer Security, the Security Trustee, in accordance with the conditions set out in the Bank Account Agreement, which include having obtained Moody's prior written consent to such replacement.

The Issuer or the Security Trustee (as the case may be) may terminate the appointment of the Account Bank: (i) upon not less than 60 days' prior written notice to the Account Bank (with a copy to the Cash Manager and the Security Trustee (as applicable)) subject to a replacement account bank (which has been approved in advance by Moody's) having been appointed or (ii) immediately by notice in writing to the Account Bank upon the occurrence of one or more of the following events subject to a replacement account bank (which has been approved in advance by Moody's) having been appointed:

- (a) if a deduction or withholding for or on account of any tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on the Issuer Main Account; or
- (b) the Account Bank suffers an Insolvency Event (as defined in the Master Definitions and Construction Agreement);
- (c) if the Account Bank fails to perform any of its material obligations under the Bank Account Agreement and such failure remains unremedied for three (3) Business Days after the Account Bank has received notice of such failure from the Cash Manager, the Issuer or the Security Trustee;

- (d) if (i) the short-term unsubordinated, unguaranteed and unsecured debt obligation ratings of the Account Bank falls below P-1 by Moody's or (ii) the long-term unsubordinated, unguaranteed and unsecured debt obligation ratings of the Account Bank falls below A2, or in each case, such lower ratings as Moody's confirms will be sufficient to maintain the then current ratings of the Notes,

unless, in the case of (d) only, the Account Bank, within thirty (30) Business Days of such an occurrence, either (A) closes the Issuer Main Account, opens a replacement account and transfers all of its rights and obligations under the terms of the Bank Account Agreement to a bank with at least the required minimum rating(s) specified under (d) and which enters into an agreement in the form and substance similar to the Bank Account Agreement; or (B) obtains a guarantee of its obligations from bank with at least the required minimum rating(s) specified under (d).

Fees

Pursuant to the Bank Account Agreement, the Issuer will pay to the Account Bank on each Payment Date a fee as agreed between the Account Bank and the Issuer and will reimburse the Account Bank for all costs and expenses properly incurred by the Account Bank in the performance of its services under the Bank Account Agreement. The fee will only be payable to the extent that the Issuer has sufficient funds to pay such amount as provided in the relevant Priority of Payments.

Governing law

The Bank Account Agreement and all non-contractual obligations arising out of or in connection with such agreement will be governed by and shall be construed in accordance with Irish law.

The Collection Account Bank Agreement

General

Banco Santander, S.A. as account holder (the "**Account Holder**") will, pursuant to the terms of a Collection Account Bank Agreement to be entered into on or about the Closing Date, open with The Bank of New York Mellon, London branch (the "**Collection Account Bank**"), a Euro denominated collection account (the "**Collection Account**").

Prior to the delivery of a Payment Redirection Notice, all payments in respect of interest, principal, fees or other amounts arising pursuant to the ECA Loan and/or ECA Guarantee and/or Related Security will be paid into the Collection Account.

The Account Bank will provide certain account management services to the Account Holder in relation to the operation of the Collection Account on and subject to the terms of the Collection Account Bank Agreement, the Collateral Security Agreement and the Borrower Deed of Charge.

The Account Holder will grant security in favour of the Issuer in respect of amounts standing to the credit of the Collection Account under the terms of the Borrower Deed of Charge and shall only be entitled to withdraw such monies with the consent of the Issuer. However, the Issuer will agree, under the terms of the Borrower Deed of Charge, to give its consent to the withdrawal by the Account Holder of amounts standing to the credit of the Collection Account in certain circumstances, including in connection with the payment by the Account Holder of amounts due under the Issuer/Borrower Loan Agreement.

Governing law

The Collection Account Bank Agreement and all non-contractual obligations arising out of or in connection with such agreement will be governed by and shall be construed in accordance with English law.

The Agency Agreement

General

Upon and subject to the terms of the Agency Agreement, between the Issuer, the Principal Paying Agent and the Note Trustee, the Issuer will, *inter alia*, appoint The Bank of New York Mellon, London branch as its agent in relation to the Notes and its agent in respect of making payments of principal and interest (if any) on the Notes (the "**Principal Paying Agent**") in accordance with the Agency Agreement, the Conditions and the Trust Deed, and for performing such other duties as are reasonably incidental thereto.

Resignation and termination

An Agent may resign its appointment upon not less than 60 days' prior written notice to the Issuer and the Note Trustee and, where appropriate, the Principal Paying Agent, subject to the further provisions of the Agency Agreement.

The Issuer may with the prior approval of the Note Trustee forthwith terminate without notice the appointment of any Agent if at any time:

- (a) such Agent becomes incapable of acting, or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or administrative or other receiver of all or any substantial part of its property, or if an administrator, liquidator or administrative or other receiver of it or of all or a substantial part of its property is appointed, or it admits in writing its inability to pay or meet its debts as they may mature or suspends payment of its debts, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law or if a public officer takes charge or control of the Agent or of its property or affairs for the purpose of rehabilitation, administration or liquidation;
- (b) in the case of the Principal Paying Agent, it fails to determine a Calculation Period as provided in the Conditions and the Agency Agreement; and
- (c) only if and for so long as the Account Bank is not The Bank of New York Mellon SA/NV, Dublin Branch or an affiliate of The Bank of New York Mellon, the unsubordinated, unguaranteed and unsecured debt obligation ratings of the Principal Paying Agent fall below P-1 (short term) by Moody's (provided that the Principal Paying Agent shall have no obligation to monitor or notify the Issuer of such rating).

The Issuer shall give notice thereof to the Note Trustee and the Noteholders in accordance with the Conditions.

The Agency Agreement also provides for the Issuer or the Principal Paying Agent to appoint further agents in accordance with the terms of the Agency Agreement.

Governing law

The Agency Agreement and all non-contractual obligations arising out of or in connection with such agreement will be governed by and shall be construed in accordance with English law.

Issuer Security Documents

English Deed of Charge

General

On or around the Closing Date, the Issuer will enter into an English law deed of charge (the "**English Deed of Charge**") with each of the Security Trustee, the Note Trustee, the Assigned Assets Back-Up Facilitator, the Cash Manager, the Borrower, the Account Bank, the Corporate Services Provider and the Principal Paying Agent pursuant to which the Issuer will grant security in respect of its obligations, including its obligations under the Notes.

English Charged Property

Under the English Deed of Charge, the Issuer will grant the following security in favour of the Security Trustee who will hold such security on trust for the benefit of itself and the other Secured Creditors in accordance with their respective interests:

- (a) an assignment absolutely (or, to the extent not assignable, charges by way of a first fixed charge) of all of its rights in respect of:
 - (i) the Agency Agreement;
 - (ii) the Cash Management Agreement; and
 - (iii) any other Transaction Document and undertakings of the Issuer and all assets governed by the laws of England located in or to the extent such Transaction Document or any of the rights and obligations thereunder are deemed to be situated in England.
- (b) a first floating charge of all of its undertaking, property, assets and rights not effectively otherwise the subject of a security interest under the Deeds of Charge or effectively subject to the trusts constituted by the Declaration of Trust, both present and future, excluding its share capital and all monies from time to time standing to the credit of the Issuer Domestic Account which will be applied for the administration of the Issuer.

(together, the "**English Charged Property**"), all as more particularly set out in the English Deed of Charge.

Restrictions on exercise of certain rights

All amounts received in respect of the Issuer/Borrower Loan Agreement and any Assigned Asset (where applicable) shall be paid into the Issuer Main Account. No withdrawals may be made by the Issuer from the Issuer Main Account after a Notes Enforcement Notice has been served or at any time upon and after enforcement of the Issuer Security without the prior written consent of the Security Trustee.

Modification of the Transaction Documents

The Security Trustee shall concur with the Issuer or any other person in making any modification to any Transaction Document and waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions of any of the Transaction Documents only if so directed in writing by (i) the Note Trustee, so long as there are any Notes outstanding or (ii) all of the other Secured Creditors, if there are no Notes outstanding.

The English Deed of Charge provides that the Security Trustee, in giving consents, agreeing to modifications and waivers and taking action (including, without limitation, any enforcement action) will act on the direction in writing of (i) the Note Trustee (for so long as any Notes are outstanding) or (ii) all of the other Secured Creditors (if there are no Notes outstanding).

Governing law

The English Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Irish Deed of Charge

General

On or around the Closing Date, the Issuer will enter into an Irish law deed of charge (the "**Irish Deed of Charge**", and together with the English Deed of Charge, the "**Deeds of Charge**") with the Security Trustee pursuant to which the Issuer will grant security in respect of its obligations, including its obligations under the Notes.

Irish Charged Property

Under the Irish Deed of Charge, the Issuer will grant the following security in favour of the Security Trustee who will hold such security on trust for the benefit of itself and the other Secured Creditors in accordance with their respective interests:

- (a) charges by way of a first fixed security, all of its rights in respect of:
 - (i) any amounts standing from time to time to the credit of the Issuer Main Account and any additional Irish domiciled accounts of the Issuer (other than the Issuer Domestic Account);
 - (ii) all interest paid or payable in relation to those amounts; and
 - (iii) all debts represented by those amounts,and the benefit of all covenants relating thereto and all powers and remedies for enforcing the same;
- (b) assigns by way of a first fixed security and subject to the proviso for redemption, all of its rights in respect of Bank Account Agreement and the Corporate Services Agreement and any and all other Irish law governed contracts, agreements, deeds and documents present and future to which the Issuer is or may become a party other than the Irish Deed of Charge, including without limitation all rights to receive payment of any amounts which may become payable to the Issuer thereunder, all payments received by the Issuer thereunder, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of

any breach thereof and all rights to receive damages or obtain other relief in respect thereof; and

- (c) charges by way of first floating charge, as beneficial owner, the undertaking and all other assets and property of the Issuer whatsoever and wheresoever, both present and future, other than any assets at any time otherwise effectively charged or assigned by way of fixed charge or assignment under the Irish Deed of Charge and other than its issued share capital and the Issuer Domestic Account,

(together, the "**Irish Charged Property**", and together with the English Charged Property, the "**Charged Property**"), all as more particularly set out in the Irish Deed of Charge.

Governing law

The Irish Deed of Charge and any non-contractual obligations arising out of or in connection with it is governed by Irish law.

Declaration of Trust

General

On or around the Closing Date, the Issuer will enter into a declaration of trust (the "**Declaration of Trust**"), with the Security Trustee pursuant to which the Issuer will declare a trust over all of its rights in relation to the Assigned Assets (as defined in the Declaration of Trust) (the "**Trust Property**") absolutely in favour of the Security Trustee on behalf of the Secured Creditors and will act as trustee of the Trust Property.

Issuer Power of Attorney

The Issuer will, in connection with the entry by it into the Declaration of Trust, grant to the Security Trustee an irrevocable power of attorney (the "**Issuer Power of Attorney**"), to secure the performance by the Issuer of its obligations under the Declaration of Trust. The Issuer Power of Attorney will entitle the Security Trustee or any purchaser of the Assigned Assets to enforce the Assigned Assets subject to the trusts constituted by the Declaration of Trust in the name of the Issuer after the occurrence of a Notes Event of Default.

The Declaration of Trust contains mechanics to ensure that to the extent that any Assigned Asset is released from the security constituted by the Collateral Security Agreement, it will similarly cease to be part of the Trust Property.

Governing law

The Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Enforcement

General

The Issuer Security will become enforceable upon the giving of a Notes Enforcement Notice by the Note Trustee following the occurrence of a Notes Event of Default. The Security Trustee may appoint a receiver of all or any part of the Charged Property if the Issuer Security becomes enforceable.

The provisions of the Declaration of Trust will become enforceable upon the giving of a Notes Enforcement Notice by the Note Trustee following the occurrence of a Notes Event of Default. The Security Trustee may enforce its rights in respect of all or any part of the Trust Property if the provisions of the Declaration of Trust become enforceable.

Restrictions on Enforcement

The Security Trustee shall not be bound to enforce the security constituted by the English Deed of Charge, the Irish Deed of Charge or enforce the provisions of the Declaration of Trust or take proceedings against the Issuer or any other person to enforce the provisions of the English Deed of Charge, the Irish Deed of Charge or the Declaration of Trust or any of the other Transaction Documents or any other action thereunder unless:

- (a) it shall have been directed or requested to do so in writing by the Note Trustee or, if there are no Notes outstanding, it has been directed to do so in writing by all of the other Secured Creditors; and
- (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

Limited recourse

The Notes will be limited recourse obligations of the Issuer. Recourse in respect of all of the Issuer's obligations (including the obligation to pay principal and interest (if any) on the Notes) will be limited to the funds available at such time applied pursuant to and in accordance with the applicable Priority of Payments and, following enforcement of the Issuer Security and the enforcement of the provisions of the Declaration of Trust, the aggregate proceeds of realisation of the Charged Property and the Trust Property and to the extent the proceeds of enforcement of the Issuer Security and the enforcement of the provisions of the Declaration of Trust are insufficient to satisfy the obligations of the Issuer to the Security Trustee to pay an amount equal to the amount owing by the Issuer to the Secured Creditors from time to time (including amounts due in respect of the Notes) (the "**Secured Obligations**") following distribution of all of such proceeds, the Secured Creditors shall have no further claims against the Issuer in respect of amounts owing to them which remains unpaid (including, for the avoidance of doubt, all amounts due in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment shall be deemed to cease.

Non-petition

Each of the Secured Creditors (other than the Security Trustee and the Note Trustee) will agree in the English Deed of Charge and the Irish Deed of Charge or as applicable, the relevant Transaction Document to which it is party to, that, unless the Note Trustee has failed to serve a Note Enforcement Notice and the Security Trustee, having become bound to take enforcement action, fails to do so within a reasonable period and such failure is continuing, it will not take any steps for the purpose of recovering any debts due or owing to it by the Issuer and, in any event, each Secured Creditor will agree not to petition or procure the petitioning for the winding-up or administration of the Issuer or to file documents with the court or serve a notice of intention to appoint an administrator, receiver or examiner in relation to the Issuer in the case of the Deeds of Charge.

CASH FLOWS

The obligations of the Issuer to pay interest (if any) and to repay principal on the Notes will be subject to the applicable Priority of Payments set out below, and such amounts shall only be payable to the extent that the Issuer has sufficient funds after making payment of all amounts required to be paid in priority to such payments.

Priority of payments

"Available Funds" means amounts standing to the credit of the Revenue Ledger plus (in respect of costs and expenses payable in connection with the defence of any challenge to the security interests granted by the Collateral Security Provider under the Collateral Security Agreement pursuant to RDL 5/2005) amounts to be debited from the Enforcement Ledger in respect of item (a) of the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments plus amounts to be debited from the Expenses Ledger (i) on any Payment Date (other than the Notes Scheduled Maturity Date), equal to the amounts payable in respect of items (a), (c) and (d) of the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments or in respect of items (a), (b), (d), (e) and (f) of the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments, as applicable, and (ii) in respect of the Notes Scheduled Maturity Date only and providing no Issuer/Borrower Loan Enforcement has occurred, all amounts standing to the credit of the Expenses Ledger, in each case as at close of business on the Business Day prior to each Calculation Date.

"Borrower Surplus" means in respect of any Payment Date, any amount by which the amount standing to the credit of the Revenue Ledger exceeds the aggregate amount due under the Issuer/Borrower Loan Agreement.

"Calculation Period" means the period from and including the Closing Date to but excluding the First Payment Date and each successive period from and including a Payment Date to but excluding the next succeeding Payment Date.

"First Payment Date" means the Payment Date falling in July 2013.

"Payment Date" means 10 January and 10 July in each year from and including 10 July 2013 (unless a Payment Date would otherwise fall on a day which is not a Business Day, in which case that Payment Date will instead fall on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not)).

"Senior Expenses Cap" means the total maximum of fees, costs and expenses which the Issuer undertakes to pay at items (b) and (e) in the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments to the Noteholders to any party, and being EUR 100,000 per annum;

Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments

Prior to the occurrence of the Issuer/Borrower Loan Enforcement or the service by the Note Trustee on the Issuer of a Notes Enforcement Notice, the Cash Manager shall apply Available Funds towards making the following payments and provisions on each Payment Date (the **"Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments"**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration due and payable to the Security Trustee under the Issuer Security Documents and the other Transaction Documents, and any costs, charges, liabilities

and expenses incurred by the Security Trustee (including, without limitation, any claims in respect of any indemnities) thereunder and any receiver or other person appointed by it under any Issuer Security Document or any other Transaction Document, to be paid to the Security Trustee; and

- (ii) any remuneration due and payable to the Note Trustee under the Trust Deed and the other Transaction Documents, and any costs, charges, liabilities and expenses incurred by the Note Trustee (including, without limitation, any claims in respect of any indemnities) thereunder and any appointee of the Note Trustee under the Trust Deed, to be paid to the Note Trustee;
- (b) *second*, any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of Irish corporation tax (to the extent that amounts standing to the credit of the Issuer Domestic Account are insufficient to cover such amounts due and payable) and any other tax under the laws of any jurisdiction other than Irish corporation tax at the standard rate from time to time on the Issuer Profit Amount (which shall be met by the Issuer out of the Issuer Profit Amount);
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) amounts due and payable to the Corporate Services Provider under the Corporate Services Agreement, to be paid to the Corporate Services Provider;
 - (ii) amounts due and payable to the directors of the Issuer;
 - (iii) amounts due and payable to the Beneficiary Agent under the Collateral Security Agreement, to be paid to the Beneficiary Agent;
 - (iv) amounts due and payable to the Account Bank under the Bank Account Agreement, to be paid to the Account Bank;
 - (v) amounts due and payable to the Cash Manager under the Cash Management Agreement, to be paid to the Cash Manager;
 - (vi) amounts due and payable to the Loan Agent under the Issuer/Borrower Loan Agreement, to be paid to the Loan Agent;
 - (vii) amounts due and payable to the Agents under the Agency Agreement, to be paid to the Agents;
 - (viii) any costs, charges, fees, liabilities, expenses and all other amounts due or to become due and payable in connection with the winding up, liquidation or dissolution of the Issuer; and
 - (ix) amounts due and payable to the Assigned Assets Back-Up Servicer under the Assigned Assets Back-Up Servicing Deed, to be paid to the Assigned Assets Back-Up Servicer;
- (d) *fourth*, to pay an amount equal to EUR 750 to the Issuer Domestic Account to be retained by the Issuer as profit in respect of the business of the Issuer (the "**Issuer Profit Amount**");
- (e) *fifth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) (if any) due and payable in respect of the Notes;

- (f) *sixth*, to pay *pari passu* and *pro rata* amounts of principal due and payable in respect of the Notes (which, for the avoidance of doubt, includes any amounts of principal due and payable to Noteholders pursuant to Condition 6.4 (*Mandatory Redemption following Repayment / Prepayment of the Issuer/Borrower Loan*));
- (g) *seventh*, any remaining amount standing to the credit of the Issuer Main Account following repayment in full of the Notes, to the Issuer for payment to the Borrower by way of rebate of the Upfront Fee and any Further Fee Amounts under the terms of the Issuer/Borrower Loan Agreement; and
- (h) *last*, to credit any surplus to the Revenue Ledger.

Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments

Following the Issuer/Borrower Loan Enforcement, but prior to the service by the Note Trustee on the Issuer of a Notes Enforcement Notice, the Cash Manager shall apply Available Funds towards making the following payments and provisions on each Payment Date (the "**Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of the following amounts of remuneration, fees and expenses, which in each case have been pre-determined and agreed with the Issuer (and are set out in the payment instruction letter provided at closing):
 - (i) those due and payable to the Security Trustee under the Issuer Security Documents and the other Transaction Documents; and
 - (ii) those due and payable to the Note Trustee under the Trust Deed and the other Transaction Documents;
- (b) *second*, subject to the Senior Expenses Cap, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of fees, costs, charges, liabilities and expenses incurred by:
 - (i) the Security Trustee under the Issuer Security Documents and the other Transaction Documents (including, without limitation, any claims in respect of any indemnities) thereunder and any receiver or other person appointed by it under any Issuer Security Document or any other Transaction Document, to be paid to the Security Trustee, to the extent that such amounts exceed the pre-determined remuneration, fees and expenses agreed with the Security Trustee (and set out in the payment instruction letter provided at closing); and
 - (ii) the Note Trustee under the Trust Deed and the other Transaction Documents (including, without limitation, any claims in respect of any indemnities) thereunder and any appointee of the Note Trustee under the Trust Deed, to be paid to the Note Trustee, to the extent that such amounts exceed the pre-determined remuneration, fees and expenses agreed with the Note Trustee (and set out in the payment instruction letter provided at closing);
- (c) *third*, any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of Irish corporation tax (to the extent that amounts standing to the credit of the Issuer Domestic Account are insufficient to cover such amounts due and payable) and any other tax under the laws of any jurisdiction other than Irish corporation tax at the standard rate

from time to time on the Issuer Profit Amount (which shall be met by the Issuer out of the Issuer Profit Amount);

- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of the following amounts of remuneration, fees and expenses, which in each case have been pre-determined and agreed with the Issuer (and are set out in the payment instruction letter provided at closing):
 - (i) those due and payable to the Corporate Services Provider under the Corporate Services Agreement, to be paid to the Corporate Services Provider;
 - (ii) those due and payable to the directors of the Issuer;
 - (iii) those due and payable to the Beneficiary Agent under the Collateral Security Agreement, to be paid to the Beneficiary Agent;
 - (iv) those due and payable to the Account Bank under the Bank Account Agreement, to be paid to the Account Bank;
 - (v) those due and payable to the Cash Manager under the Cash Management Agreement, to be paid to the Cash Manager;
 - (vi) those due and payable to the Loan Agent under the Issuer/Borrower Loan Agreement, to be paid to the Loan Agent;
 - (vii) those due and payable to the Agents under the Agency Agreement, to be paid to the Agents;
- (e) *fifth*, subject to the Senior Expenses Cap, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs and expenses incurred by any of the parties referred to in item (d)(i)-(vii) above to the extent that such amounts exceed the pre-determined fees and expenses agreed with the respective party (and set out in the payment instruction letter provided at closing) and payable by the Issuer pursuant to the Transaction Documents;
 - (ii) any amounts due and payable to the Assigned Assets Back-Up Servicer under the Assigned Assets Back-Up Servicing Deed, to be paid to the Assigned Assets Back-Up Servicer; and
 - (iii) any costs, charges, fees, liabilities, expenses and all other amounts due or to become due and payable in connection with the winding up, liquidation or dissolution of the Issuer;
- (f) *sixth*, to pay to the Issuer Domestic Account, the Issuer Profit Amount;
- (g) *seventh*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) (if any) due and payable in respect of the Notes;
- (h) *eighth*, to pay an amount by way of additional interest in respect of the Notes equal to, any default interest received by the Issuer following default by the Borrower;

- (i) *ninth*, to pay *pari passu* and *pro rata* amounts of principal due and payable in respect of the Notes (which, for the avoidance of doubt, includes any amounts of principal due and payable to Noteholders pursuant to Condition 6.4 (*Mandatory Redemption following Repayment / Prepayment of the Issuer/Borrower Loan*));
- (j) *tenth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any unpaid amount otherwise due and payable pursuant to, first, items (b)(i) and (ii) and, secondly, (e)(i) to (iii) above which remain to be paid subsequent to any payment being provided for in accordance with items (b) and (e) above, respectively;
- (k) *eleventh*, to credit to the Expenses Ledger, an amount equal to any shortfall in respect of the Enforcement Claim Reserve Amount as at that Payment Date;
- (l) *twelfth*, following repayment in full of the Notes, to pay to the Borrower an amount equal to the Borrower Surplus as at that Payment Date;
- (m) *thirteenth*, on the Notes Scheduled Maturity Date only, any remaining amount standing to the credit of the Issuer Main Account, following repayment in full of the Notes, to the Issuer for payment to the Borrower by way of rebate of the Upfront Fee and any Further Fee Amounts under the terms of the Issuer/Borrower Loan Agreement; and
- (n) *last*, to credit any surplus to the Revenue Ledger.

Notes Post-Enforcement Priority of Payments

Following the service by the Note Trustee of a Notes Enforcement Notice on the Issuer, the Cash Manager on behalf of the Security Trustee will be required to apply all funds received or recovered by or on behalf of the Issuer and, after enforcement of the Issuer Security, the Security Trustee, or by any receiver appointed by it, in accordance with the following order of priority (the "**Notes Post-Enforcement Priority of Payments**" and, together with the Loan Pre-Enforcement (Notes Pre-Enforcement) Priority of Payments and the Loan Post-Enforcement (Notes Pre-Enforcement) Priority of Payments, the "**Priority of Payments**") (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration due and payable to the Security Trustee under the Issuer Security Documents and the other Transaction Documents, and any costs, charges, liabilities and expenses incurred by the Security Trustee (including, without limitation, any claims in respect of any indemnities) thereunder and any receiver or other person appointed by it under any Issuer Security Document or any other Transaction Document, to be paid to the Security Trustee; and
 - (ii) any remuneration due and payable to the Note Trustee under the Trust Deed and the other Transaction Documents, and any costs, charges, liabilities and expenses incurred by the Note Trustee (including, without limitation, any claims in respect of any indemnities) thereunder and any appointee of the Note Trustee under the Trust Deed, to be paid to the Note Trustee;
- (b) *second*, to pay any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of Irish corporation tax (to the extent that amounts standing to the credit of the Issuer Domestic Account are insufficient to cover such amounts due and payable) and any other tax under the laws of any jurisdiction other than Irish corporation tax at the

standard rate from time to time on the Issuer Profit Amount (which shall be met by the Issuer out of the Issuer Profit Amount);

- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) amounts due and payable to the Corporate Services Provider under the Corporate Services Agreement, to be paid to the Corporate Services Provider;
 - (ii) amounts due and payable to the directors of the Issuer;
 - (iii) amounts due and payable to the Beneficiary Agent under the Collateral Security Agreement, to be paid to the Beneficiary Agent;
 - (iv) amounts due and payable to the Account Bank under the Bank Account Agreement, to be paid to the Account Bank;
 - (v) amounts due and payable to the Cash Manager under the Cash Management Agreement, to be paid to the Cash Manager;
 - (vi) amounts due and payable to the Loan Agent under the Issuer/Borrower Loan Agreement, to be paid to the Loan Agent;
 - (vii) amounts due and payable to the Agents under the Agency Agreement, to be paid to the Agents;
 - (viii) any costs, charges, fees, liabilities, expenses and all other amounts due or to become due and payable in connection with the winding up, liquidation or dissolution of the Issuer; and
 - (ix) amounts due and payable to the Assigned Assets Back-Up Servicer under the Assigned Assets Back-Up Servicing Deed, to be paid to the Assigned Assets Back-Up Servicer;
- (d) *fourth*, to pay to the Issuer Domestic Account, amounts equal to the Issuer Profit Amount;
- (e) *fifth*, to pay *pari passu* and *pro rata* amounts (other than in respect of principal) (if any) due and payable in respect of the Notes;
- (f) *sixth*, to pay an amount by way of additional interest in respect of the Notes equal to the pro rata amount per Note of any default interest received by the Issuer following default by the Borrower;
- (g) *seventh*, to pay *pari passu* and *pro rata* amounts of principal due and payable in respect of the Notes (which, for the avoidance of doubt, includes any amounts of principal due and payable to Noteholders pursuant to Condition 6.4 (*Mandatory Redemption following Repayment / Prepayment of the Issuer/Borrower Loan*));
- (h) *eighth*, any remaining amount standing to the credit of the Issuer Main Account, following repayment in full of the Notes, to the Issuer for payment to the Borrower by way of rebate of the Upfront Fee, Borrower Surplus or other amount (if available) that would have been payable to the Borrower but for the Notes Enforcement Notice and any Further Fee Amounts under the terms of the Issuer/Borrower Loan Agreement; and

- (i) *last*, any surplus to be paid to the Issuer.

FORM OF THE NOTES

The Notes will be issued in bearer form ("**Notes**"), without receipts relating to payment of principal ("**Receipts**") or interest coupons ("**Coupons**") attached or talons.

The Notes will be initially issued in the form of a temporary bearer global note without Receipts, Coupons or talons (a "**Temporary Global Note**"), which will be delivered on or prior to the Closing Date to the common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Upon issue of the Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will credit each purchaser's account with a principal amount of Notes equal to the principal amount thereof for which the purchaser has subscribed and paid. Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Notes are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after the Temporary Global Note is issued interests in such Temporary Global Note will be exchangeable in whole or in part (free of charge) upon a request as described therein either for interests in a permanent bearer global note without Receipts, Coupons or talons (a "**Permanent Global Note**") against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless upon due certification exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if without any requirement for certification.

The following legend will appear on all Notes:

"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 provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, Receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, Receipts or Coupons.

General

Temporary Global Notes and Permanent Global Notes, will be transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg as the case may be.

For so long as any of the Notes is represented by a Global Note, held on behalf of Euroclear or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for

the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Note Trustee, the Security Trustee and the Principal Paying Agent as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest (if any) on such principal amount of such Notes, for which purpose the relevant Common Depositary, shall be treated by the Issuer, the Note Trustee, the Security Trustee and the Principal Paying Agent as the holder of such principal amount of such Notes in accordance with and subject to the terms of the Global Note. The expressions **"Noteholder"** and **"holder of Notes"** and related expressions shall be construed accordingly.

BOOK-ENTRY CLEARANCE PROCEDURES

*The information set out below has been obtained from the Clearing Systems (as defined herein) and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer confirms that the information set out below has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by the Clearing Systems, no facts have been omitted which would render the reproduced information set out below inaccurate or misleading. Such information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear Bank S.A./NV ("**Euroclear**") or Clearstream Banking Societe anonyme ("**Clearstream, Luxembourg**") (together, the "**Clearing Systems**") currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system.*

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of beneficial interests in a global note among participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arranger, the Note Trustee, the Security Trustee, any Agent, any Other Party any affiliate (as defined in the Securities Act) of such person, or any other person, will have any responsibility or liability for the performance by Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.

Euroclear and Clearstream, Luxembourg

Custodial and depositary links have been established between the Clearing Systems to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading see "*Settlement and transfer of Notes*" below.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such global notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (direct participants) or indirectly (indirect participants and, together with direct participants, participants) through organisations which are accountholders therein.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

Each Global Note will have an ISIN and a common code and will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Payments and relationship of participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of notes represented by a Global Note, the common depositary by whom such note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by direct participants in any clearing system to owners of beneficial interests in any Global Note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the notes for so long as the notes are represented by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, Arranger, any affiliate (as defined in the Securities Act) of such person, or any other person, will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through direct participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the "**Beneficial Owner**") will in turn be recorded on the participant's records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial owners will not receive individual certificates representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.

No clearing system has knowledge of the actual Beneficial Owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Trading between Euroclear and/or Clearstream, Luxembourg participants

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

Pre-issue trades settlement

It is expected that delivery of notes will be made free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the closing date, which could be more than three (3) business days following the date of pricing.

USE OF PROCEEDS

The net proceeds from issuance of the Notes will be applied by the Issuer to fund the advance of a EUR 60,300,000 loan (the "**Issuer/Borrower Loan**") to the Borrower pursuant to the terms of the Issuer/Borrower Loan Agreement.

DESCRIPTION OF THE BORROWER

The information appearing in this section has been prepared by Santander and has not been independently verified by the Issuer or any Other Party.

This information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by the Borrower, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Information about the Borrower

Banco Santander, S.A. is the parent bank of Grupo Santander. It was established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on 14 January 1875. The Group is a financial group operating principally in Spain, the United Kingdom, other European countries, Brazil and other Latin American countries and the United States, offering a wide range of financial products. In Latin America, the Group has majority shareholdings in banks in Argentina, Brazil, Chile, Mexico, Peru, Puerto Rico and Uruguay.

At December 31, 2012, the Group had a market capitalization of €63.0 billion, stockholders' equity of €74.7 billion and total assets of €1,269.6 billion. The Group had an additional €118.1 billion in mutual funds, pension funds and other assets under management at that date. As of December 31, 2012, the Group had 58,074 employees and 6,437 branch offices in Continental Europe, 26,186 employees and 1,189 branches in the United Kingdom, 90,576 employees and 6,044 branches in Latin America, 9,525 employees and 722 branches in the United States (Sovereign Bancorp) and 2,402 employees in other geographic regions.

On the Closing Date, Banco Santander, S.A. already has debt and equity securities admitted to trading on the main regulated market of the London Stock Exchange.

DESCRIPTION OF THE ISSUER

Bayones ECA Limited (the "**Issuer**") is a special purpose vehicle established for the purpose of issuing asset-backed securities and was incorporated in Ireland as a private limited company on 11 July 2012 with registered number 515235 under the Companies Acts 1963-2012 of Ireland (the "**Companies Acts**"). The registered office of the Issuer is 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.

The telephone number of the Issuer is +353 (1) 900 7917.

It is intended that the Issuer will be tax resident in Ireland and it is intended that its centre of main interest is in Ireland.

The authorised share capital of the Issuer is EUR 100 divided into 100 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued 1 of its authorised shares, which is fully paid and held on trust by BNY Mellon Corporate Trustee Services Limited (the "**Share Trustee**"). The Share Trustee holds the entire beneficial interest in the Shares on trust for charitable purposes in accordance with the terms of a declaration of trust (the "**Share Declaration of Trust**") dated 19 February 2013. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Business of the Issuer

The principal objects of the Issuer are set forth in clause 2 of its Memorandum of Association and include, *inter alia*, the power to issue securities and to raise or borrow money, to invest in and manage financial assets (including loans) grant security over its assets for such purposes, to lend with or without security. Cash flow derived from, prior to the Issuer/Borrower Loan Enforcement, repayments of principal received from the Borrower under the Issuer/Borrower Loan will be the Issuer's principal source of funds to fund payments in respect of the Notes.

So long as any of the Notes remain outstanding, the Issuer will be subject to the restrictions set out in the Conditions and in the Trust Deed. In particular, the Issuer has undertaken not to carry out any business other than the issue of Notes and the entry into of the applicable Transaction Documents and agreements related thereto and does not and will not have any substantial assets and does not and will not have any substantial liabilities other than in connection with the Notes and any Secured Obligations.

The Issuer has, and will have, no material assets other than its rights, title and interest in and under the Issuer/Borrower Loan (including the right to receive repayment of principal) and the other Assigned Assets, the proceeds of its issued share capital and such fees (as agreed) payable to it in connection with the issue of the Notes. Any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the proceeds of the Issuer's issued share capital, the Issuer will not accumulate any surpluses. Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation. The Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Directors and Company Secretary

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

Director	Address	Principal external activities
Roddy Stafford	6 Winton Road, Dublin 6, Ireland	Company Director
Dermot Cahillane	19 The Mews, Seafield Close, Clontarf, Dublin 3, Ireland	Company Director

The Company Secretary is The Bank of New York Mellon SA/NV, Dublin Branch, whose registered office is at 46 Rue Montoyerstraat, B-1000 Brussels, Belgium operating through its branch at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.

Financial Statements

Since its date of incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Prospectus. The Issuer intends to publish its first financial statements in respect of the period ending on 31 December 2013. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer. The Issuer must hold its first annual general meeting within 18 months of the date of its incorporation (and no more than nine months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months. One annual general meeting must be held in each calendar year.

The Issuer will appoint its auditors as soon as reasonably practicable after the Closing Date and such auditors will be chartered accountants and registered auditors qualified to practise in Ireland.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed. The terms and conditions set out below will apply to the Notes in global form.

The EUR 60,300,000 Zero Coupon Notes due 2022 (the "**Notes**") of Bayones ECA Limited (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 21 May 2013 (the "**Closing Date**") and made between the Issuer and BNY Mellon Corporate Trustee Services Limited (in such capacity, the "**Note Trustee**") as trustee for the Noteholders (as defined below).

The security for the Notes is constituted by an English law deed of charge (the "**English Deed of Charge**") and an Irish law deed of charge (the "**Irish Deed of Charge**", and together with English Deed of Charge, the "**Deeds of Charge**") in each case dated the Closing Date and made between, among others, the Issuer, Banco Santander, S.A. ("**Santander**") and BNY Mellon Corporate Trustee Services Limited (in such capacity the "**Security Trustee**"). In addition, the Issuer shall declare a trust in favour of the Security Trustee in respect of all its rights in the Assigned Assets pursuant to the terms of a declaration of trust (the "**Declaration of Trust**", and together with the Deeds of Charge, the "**Issuer Security Documents**") dated the Closing Date and made between the Issuer and the Security Trustee.

Pursuant to an agency agreement (the "**Agency Agreement**") dated the Closing Date and made between the Issuer, The Bank of New York Mellon, London branch as principal paying agent (the "**Principal Paying Agent**") and the Note Trustee, provision is made for payments to be made in respect of the Notes.

The statements in these terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Issuer Security Documents, the Agency Agreement and the master definitions and construction agreement (the "**Master Definitions and Construction Agreement**") signed by, *inter alios*, the Issuer and the Security Trustee on or around the Closing Date and the other Transaction Documents.

Copies of the Trust Deed, the Issuer Security Documents, the Agency Agreement, the Master Definitions and Construction Agreement and the other Transaction Documents are available for inspection during normal business hours at the registered office of the Issuer and the specified office for the time being of the Principal Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Agreement available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Agreement.

1. FORM, DENOMINATION, TRANSFER AND TITLE

- 1.1 The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") in bearer form in the aggregate nominal amount on issue of EUR 60,300,000. The Temporary Global Note has been deposited on behalf of the subscribers of the Notes with a common depository (the "**Common Depository**") for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank S.A/N.V. ("**Euroclear**" and together with Clearstream, Luxembourg, the "**Clearing Systems**") on the Closing Date. Upon deposit of the Temporary Global Note, the Clearing Systems credited each subscriber of Notes with the nominal amount of Notes equal to the aggregate nominal amount thereof for which it had

subscribed and paid. Interests in the Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests in a permanent global note (the "**Permanent Global Note**") (the expressions "**Global Notes**" and "**Global Note**" meaning, respectively, any of the Temporary Global Note or Permanent Global Note, as the context may require). The Permanent Global Note has also been deposited with the Common Depositary for the Clearing Systems. Title to the Global Notes will pass by delivery.

Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

For so long as the Notes are represented by a Global Note and the Clearing Systems so permit, the Notes will be tradeable only in the minimum authorised denominations of EUR 1,000,000 or in integral multiples of EUR 1 above that amount.

- 1.2 If, while any of the Notes are represented by a Permanent Global Note, (i) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or Ireland (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or the Principal Paying Agent is or will on the next Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form, then the Issuer will issue Notes in bearer definitive form ("**Definitive Notes**") in exchange for such Permanent Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and Security Trustee require to take account of the issue of Definitive Notes.
- 1.3 Definitive Notes, if issued, will only be printed and issued in denominations of EUR 1,000,000 or in integral multiples of EUR 1 above that amount. Such Notes will be serially numbered and will be issued in bearer form.
- 1.4 "**Noteholders**" means each person (other than the Clearing Systems themselves) who is for the time being shown in the records of the Clearing Systems as the holder of a particular Nominal Amount Outstanding (as defined in Condition 6.7 (*Nominal Amount Outstanding*)) of the Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Nominal Amount Outstanding of the Notes standing to the account of any person shall be conclusive and binding for all purposes) and such person shall be treated by the Issuer, the Note Trustee, the Security Trustee and all other persons as the holder of such Nominal Amount Outstanding of such Notes for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Note Trustee, the Security Trustee and all other persons, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and for which purpose "**Noteholders**" means the bearer of the relevant Global Note.

2. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

2.1 Status and relationship between the Notes

- (a) The Notes constitute direct, secured and limited recourse obligations of the Issuer. The Notes rank *pari passu* without preference or priority amongst themselves.

- (b) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee.

2.2 Security

- (a) The security constituted by the Deeds of Charge is granted to the Security Trustee, on trust for itself, the Noteholders and the other Secured Creditors of the Issuer, upon and subject to the terms and conditions of the Deeds of Charge.
- (b) The trust declared by the Issuer over the Assigned Assets in favour of the Security Trustee by the terms of the Declaration of Trust is held by the Issuer absolutely for the Security Trustee who in turn holds all of the covenants, undertakings, interests and other rights and benefits arising in respect of such trust (and received by it in its capacity as the beneficiary of the trust assets) on trust for itself, the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Declaration of Trust.
- (c) The Noteholders will share in the benefit of the security constituted by the Deeds of Charge and the trusts constituted by the Declaration of Trust upon and subject to the terms and conditions of the Issuer Security Documents.

3. COVENANTS

- 3.1 Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security or trust interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage; or (ii) have any subsidiaries (as defined in the section 155 of the Irish Companies Act 1963 (as amended)), any subsidiary undertakings (as defined in the section 155 of the Irish Companies Act 1963 (as amended)) or any employees or premises (other than its registered office);
- (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein other than in respect of the assets comprising the Assigned Assets;
- (d) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders (other than from amounts available pursuant to the retained Issuer Profit Amount) or issue any further shares;
- (e) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (f) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

- (g) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (h) **Bank accounts:** have an interest in any bank account other than the Issuer Main Account and Issuer Domestic Account, unless such account or interest therein is charged to the Security Trustee on terms acceptable to it;
- (i) **Corporation tax:** do or omit to do anything that would cause the Issuer to cease to be a qualifying company for the purposes of section 110 of the Irish Taxes Consolidation Act, 1997;
- (j) **VAT:** take any action that would cause the Issuer to be treated as a member of a group for Irish VAT purposes;
- (k) **Assets:** own assets other than those representing its share capital, the funds arising from the issue of the Notes, the Charged Property and the Trust Property, as all of the same may vary from time to time; and
- (l) **Residence:** conduct its business and affairs such that, at any time:
 - (i) its registered office is maintained in a country other than Ireland;
 - (ii) its meetings of its board of directors are held in a country other than Ireland and such directors are not resident in Ireland for tax purposes;
 - (iii) it opens any office or branch or place of business outside of Ireland;
 - (iv) it knowingly does anything which may result in the Issuer creating an establishment (whether for the purposes of the EU Regulation on Insolvency Proceedings or otherwise) in another jurisdiction than Ireland; and
 - (v) (save to the extent necessary for the Issuer to comply with its obligations under the Transaction Documents) will cause its "centre of main interests"(as that term is defined in Article 3(1) of EU Regulation on Insolvency Proceedings)) to be located outside Ireland.

3.2 Unless otherwise permitted under any of the Transaction Documents, the Issuer shall, so long as any Note remains outstanding:

- (a) maintain its books and records, accounts and financial statements separate from any other person or entity and use separate stationery, invoices and cheques;
- (b) hold itself out as a separate entity, conduct its business in its own name and maintain an arm's length relationship with its affiliates (if any);
- (c) pay its own liabilities out of its own funds;
- (d) not commingle its assets with those of any other entity; and

- (e) observe all formalities required by its memorandum and articles of association (including maintaining adequate capital for its operations).
- 3.3 The Issuer will provide the Principal Paying Agent with copies of the Transaction Documents, which will be available for collection during normal business hours at the specified office for the time being of the Principal Paying Agent.

4. RATE OF INTEREST

4.1 Rate of Interest

- (a) The Notes shall not carry any right to receive interest.
- (b) The yield on the discounted price of the Notes will be zero (0) per cent. per annum accruing (the "**Accrual Yield**").

4.2 Default Interest

Where a Note becomes repayable prior to its Notes Final Maturity Date and is not paid when due, the amount due and payable in respect of such Note shall be the Accreted Face Amount as determined in accordance with Condition 6.6(b). Where a Note is to be redeemed on its Notes Final Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to two (2) per cent. per annum. Such interest shall continue to accrue (both before and after judgment) to the Relevant Date.

4.3 Additional Interest

In the event of any receipt of default interest by the Issuer in respect of the Issuer/Borrower Loan the Issuer shall pay such default interest to the Noteholders, on a pro rata basis, on the Payment Date following such receipt as additional interest on the Notes in accordance with the applicable Priority of Payments.

5. PAYMENTS

5.1 Payments in respect of Notes

Payments in respect of any Global Note will be made only against "**presentation**" of such Global Note to or to the order of the Principal Paying Agent, subject, in the case of any Temporary Global Note, to certification of non-US beneficial ownership as provided in such Temporary Global Note. A record of each payment made in respect of a Global Note will be made on the relevant Global Note by or on behalf of the Principal Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.

5.2 Method of Payment

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

5.3 Payments subject to Applicable Laws

Payments in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

5.4 Payment only on a Presentation Date

A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Rate of Interest*), be entitled to any interest or other payment if a Presentation Date is after the due date.

In these Conditions (except where otherwise defined), the expressions:

"Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets settle payments and are open for general business in London, Paris, Madrid and Dublin;

"Calculation Period" means the period from and including the Closing Date to but excluding the First Payment Date and each successive period from and including a Payment Date to but excluding the next succeeding Payment Date;

"Payment Date" means 10 January and 10 July in each year from and including 10 July 2013 (unless a Payment Date would otherwise fall on a day which is not a Business Day, in which case that Payment Date will instead fall on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not)).

"Presentation Date" means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date; and
- (b) is a Business Day in the place of the specified office of the applicable Agent at which the Global Note is presented for payment.

5.5 Principal Paying Agent

The name of the Principal Paying Agent and its initial specified office are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Agents and to appoint additional or other paying agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent;
- (b) there will at all times be at least one Principal Paying Agent having its specified office in such place as may be required by the rules and regulations of relevant stock exchange and competent authority;
- (c) the Issuer undertakes that it will ensure that it maintains a Principal Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and

- (d) the specified office of any Paying Agent will be outside the United States, which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction).

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 14 (*Notice to Noteholders*).

6. REDEMPTION

6.1 Redemption

Unless previously redeemed in full and cancelled as provided below, each Note will be redeemed at its Nominal Amount Outstanding or such other amount as is specified on such Note on the Payment Date falling in July 2020 (the "**Notes Scheduled Maturity Date**") *provided that* by the Notes Scheduled Maturity Date, the Issuer has received repayment of the Issuer/Borrower Loan (in accordance with the provisions of the Issuer/Borrower Loan Agreement) of a principal amount sufficient to repay the amount due in respect of the Notes on such date in full.

6.2 Final Redemption

If the Notes have not previously been redeemed in full, each Note will be redeemed at its Nominal Amount Outstanding or such other amount as is specified on such Note on the Payment Date falling in July 2022 (the "**Notes Final Maturity Date**").

6.3 Optional redemption for taxation or other reasons

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Payment Date, the Issuer or the Principal Paying Agent would be required to deduct or withhold from any payment on the Notes (other than because the relevant holder has some connection with Ireland other than the holding of Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Ireland or any political sub-division thereof or any authority thereof or therein;
- (b) by reason of a change in law, which change becomes effective on or after the Closing Date it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any advances made or to be made by it under the Issuer/Borrower Loan Agreement;
- (c) the Issuer/Borrower Loan is fully prepaid and cancelled due to the Borrower serving a valid notice to the Lender relating to a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, resulting in any sum payable by the Borrower to the Lender being required to be increased due to the Tax gross up provision of the Issuer/Borrower Loan Agreement or the Lender claiming indemnification (unless the Note Trustee waives such indemnity) from the Borrower under the tax indemnity or increased costs provisions of the Issuer/Borrower Loan Agreement; or

- (d) by reason of a change in, or application or official interpretation of, the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act, which change, application or interpretation becomes effective on or after the Closing Date:
 - (i) the Issuer or the Principal Paying Agent on the next Payment Date would be required to make a deduction or withholding from any payment of principal or interest on the Notes; or
 - (ii) any other Agent, the Cash Manager, the Note Trustee or Security Trustee would be required to make a deduction or withholding from any payment under the Transaction Documents,

then the Issuer shall, if the same would avoid the effect of the relevant event described in paragraph (a), (b), (c) or (d) above, appoint a paying agent or other agent, cash manager, note trustee or security trustee in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction as principal debtor under the Notes and as lender under the Issuer/Borrower Loan Agreement, provided that the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in paragraph (a), (b), (c) or (d) above is continuing and that the appointment of a replacement or substitute as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a replacement or substitute, then the Issuer may, at any time, on giving not more than 60 nor less than 30 days' notice (or, in the case of an event described in paragraph (b) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) and to the Note Trustee, redeem all, but not some only, of the Notes at their Accreted Face Amount. Prior to the publication of any notice of redemption pursuant to this Condition 6.3 (*Optional redemption for taxation or other reasons*), the Issuer shall deliver to the Note Trustee a certificate signed by two directors of the Issuer stating that (i) one or more of the events described in paragraph (a), (b), (c) or (d) above is continuing and that the appointment of a replacement or substitute as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a replacement or substitute; and (ii) the Issuer will have the necessary funds to pay all principal due in respect of the Notes on the relevant Payment Date and to discharge all other amounts required to be paid by it on the relevant Payment Date, and the Note Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and, if it does so, from such certificate it shall be conclusive and binding on the Noteholders.

6.4 Mandatory Redemption following Repayment / Prepayment of Issuer/Borrower Loan

Mandatory prepayment of the Issuer/Borrower Loan will also apply if for any reason, the ECA Loan is repaid or prepaid in whole or in part before the Notes Final Maturity Date whereupon the Borrower must repay or prepay to the Lender an amount equal to the amount received by the Borrower in respect of the ECA Loan together with all accrued interest and any other outstanding amount (such amounts received being the "**Repayment/Prepayment Amount**") in accordance with the terms of the Issuer/Borrower Loan Agreement.

The Borrower shall pay the Repayment/Prepayment Amount into the Issuer Main Account in accordance with the terms of the Issuer/Borrower Loan Agreement, and on so being paid, such Repayment/Prepayment Amount will form part of the Available Funds.

On each Payment Date following a payment or prepayment under the Issuer/Borrower Loan (as described in this Condition 6.4) and on which there are sufficient Available Funds to do so, the Issuer will cause the Notes to be redeemed in whole or in part on such Payment Date in accordance with the applicable Priority of Payments in an amount equal to the Note Principal Payment in respect of such Notes determined on the relevant Calculation Date.

"Note Principal Payment" means, for the purpose of calculating the amount of principal payable on the Notes on any Payment Date pursuant to this Condition 6.4, in the case of each Note, an amount equal to the lesser of (i) the Available Funds and (ii) the Nominal Amount Outstanding of the Notes, each determined as at the relevant Calculation Date, divided by the number of outstanding Notes and rounded down to the nearest EUR 0.01, provided always that no such Note Principal Payment may exceed the Nominal Amount Outstanding of the relevant Note.

6.5 Optional Redemption following the Issuer / Borrower Loan Enforcement

On any Payment Date on or following the date on which an Issuer/Borrower Loan Enforcement occurs, the Notes may be redeemed on such Payment Date provided that the Notes are redeemed in full at or above their Accreted Face Amount.

6.6 Accreted Face Amount

- (a) The amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6.3 (*Optional redemption for taxation or other reasons*), if applicable, or upon it becoming due and payable as provided in Condition 9 (*Notes Events of Default*), shall be the Accreted Face Amount (calculated as provided below) of such Note.
- (b) Subject to Condition 6.6(c), the **"Accreted Face Amount"** of any Note shall be the sum of (A) the Reference Price and (B) the aggregate accretion of the difference between the Reference Price and the nominal amount of such Note from the Closing Date to the date on which the Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Accrual Yield applied to the Reference Price. Where the specified calculation is to be made for a period of less than one year, it shall be made from and including the first day of such period to but excluding the last day of such period, on the basis of the actual number of days divided by 360.
- (c) If the amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6.3 (*Optional redemption for taxation or other reasons*), if applicable, or upon it becoming due and payable as provided in Condition 9 (*Notes Events of Default*), is not paid when due, the amount due and payable in respect of such Note shall be the Accreted Face Amount of such Note as defined in Condition 6.6(b), except that this Condition 6.6(c) shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date (as defined in Condition 8 (*Prescription*)). The calculation of the Accreted Face Amount in accordance with this Condition 6.6(c) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date has not occurred by the Notes Final Maturity Date, or falls on or after the Notes Final Maturity Date, in which cases the amount due and payable shall be the nominal

amount of such Note together with any interest which may accrue on such Note in accordance with Condition 4.2 (*Default Interest*).

In these Conditions (except where otherwise defined) the expression:

"Reference Price" means the nominal face amount of a Note multiplied by its Issue Price as specified on such Note.

6.7 Nominal Amount Outstanding

The **"Nominal Amount Outstanding"** of a Note on any date shall be its original nominal amount less the aggregate amount of all principal payments in respect of such Note which have become due and payable since the Closing Date except if and to the extent that any such payment has not been made in accordance with the Trust Deed or these Conditions.

6.8 Notice of redemption

Any such notice as is referred to in Condition 6.3 (*Optional redemption for taxation or other reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the Notes at the applicable amounts specified above.

6.9 No purchase by the Issuer

The Issuer will not be permitted to purchase any of the Notes.

6.10 Cancellation

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

7. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**"Taxes"**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the relevant Principal Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Principal Paying Agent shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

8. PRESCRIPTION

Claims in respect of amounts payable on the Notes will be void after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

The **"Relevant Date"**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the moneys payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such moneys having been received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

9. NOTES EVENTS OF DEFAULT

9.1 The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least one-fifth in aggregate Nominal Amount Outstanding of the Notes then outstanding or so directed by an Extraordinary Resolution of the Noteholders shall, (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction) (but, in the case of the happening of any of the events described in paragraph (b) only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice (a "**Notes Enforcement Notice**") to the Issuer (copied to the Security Trustee) that all the Notes are immediately due and repayable at the Accreted Face Amount of such Notes as provided in Condition 6.6 (*Accreted Face Amount*), in any of the following events (each, a "**Notes Event of Default**"):

- (a) if default is made in the payment of any amount due in respect of the Notes or any of them and the default continues for a period of two days; or
- (b) if the Issuer fails to perform or observe any obligation under these Conditions (other than referred to in paragraph (a) above) or any Transaction Document to which it is a party and (except in any case where the Note Trustee or, in the case of the Issuer Security Documents, the Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 10 days (or such longer period as the Note Trustee or, as the case may be, the Security Trustee, may permit and if such failure was caused by the Loan Agent or Beneficiary Agent failing in its obligations under the terms of the Transaction Documents to which it is a party, then 20 days) following the service by the Note Trustee or, as the case may be, the Security Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) , in the case of any such possession or any such last-

mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 14 days; or

- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, 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 takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

9.2 General

Upon the service of a Notes Enforcement Notice by the Note Trustee in accordance with Condition 9.1 above, the Notes then outstanding shall thereby immediately become due and repayable at their respective Accreted Face Amount, as provided in Condition 6.6 (*Accreted Face Amount*) and the security constituted by the Deeds of Charge and the provisions of the Declaration of Trust will become enforceable.

10. ENFORCEMENT

- 10.1 The Note Trustee may, at any time, at its discretion and without notice, take such action under or in connection with any of the Transaction Documents as it may think fit (including, without limitation, directing the Security Trustee to take any action under or in connection with any of the Transaction Documents and/or, after the giving of a Notes Enforcement Notice, the taking of any steps to enforce the Issuer Security constituted by the Deeds of Charge and enforce the provisions of the Declaration of Trust) provided that:

- (a) the Note Trustee shall not be bound to take any such action unless it shall have been so directed by an Extraordinary Resolution of the Noteholders, or so directed in writing by the holders of at least one-fifth in aggregate of Nominal Amount Outstanding of the Notes; and
- (b) then only if it shall be indemnified and/or pre-funded and/or secured to its satisfaction.

The Security Trustee shall not be bound to take any such action unless (a) it shall have been so directed in writing by (i) the Note Trustee or (ii) if there are no Notes outstanding, all of the other Secured Creditors; and (b) the Security Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

The Note Trustee and the Security Trustee shall not be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

- 10.2 No Noteholder shall be entitled to proceed directly against the Issuer, the Borrower or any other party to any of the Transaction Documents or the ECA Borrower or the ECA Guarantor (or their respective directors, officers or shareholders), to enforce the performance of any of the provisions of the Charged Agreements and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer (or its directors, officers or shareholders) unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Noteholder shall be entitled to take any steps or proceedings

to seek or procure the winding-up, administration or liquidation of the Issuer or the appointment of an examiner.

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the Charged Property and the Trust Property, and any assets and undertakings of the Issuer the subject of any security created by the Issuer Security and the trust in respect of the Trust Property and any assets and undertakings of the Issuer the subject of any trust created by it. If:

- (a) there is no Charged Property or Trust Property remaining which is capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Property or the Trust Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Security Documents; and
- (c) there are insufficient amounts available from the Charged Property and the Trust Property to pay in full, in accordance with the provisions of the Issuer Security Documents, amounts outstanding under the Notes (including payments of principal and interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal and/or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

11. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

- 11.1 The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.
- 11.2 An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders irrespective of the effect upon them.
- 11.3 Subject as provided below, the quorum at any meeting of Noteholders for passing an Extraordinary Resolution will be one or more eligible persons present and representing not less than 50 per cent. in the aggregate of the Nominal Amount Outstanding of the Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder, whatever the aggregate Nominal Amount Outstanding of the Notes held or represented by it or them.
- 11.4 The quorum at any meeting of Noteholders for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Notes or which would have the effect of postponing any day for payment of principal or interest thereon, sanctioning of any scheme or proposal or substitution of the Notes in consideration (whether in whole or in part) of other obligations and/or securities of the Issuer or any other company or the substitution of any entity for the Issuer as principal debtor, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, altering the currency of payment of such Notes, altering the quorum or majority required to pass an Extraordinary Resolution, altering the quorum required in relation to this exception or this definition of Basic Terms Modification (each, a "**Basic Terms Modification**") shall be one or more eligible persons present and representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Nominal Amount Outstanding of the Notes.

11.5 The Note Trustee may agree, or may direct the Security Trustee to agree, without the consent of the Noteholders:

- (i) to any modification (other than a Basic Terms Modification), or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the provisions of the Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders; or
- (ii) to any modification which, in the opinion of the Note Trustee, is to correct a manifest or proven (to the satisfaction of the Note Trustee) error or is of a formal, minor or technical nature.

For the avoidance of doubt, the Note Trustee shall not be entitled to determine without the consent of the Noteholders by way of Extraordinary Resolution that a Notes Event of Default shall not (or shall not, subject to specified conditions), be treated as such.

11.6 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notice to Noteholders*).

11.7 In connection with any such substitution of principal debtor referred to in Condition 6.3 (*Optional redemption for taxation or other reasons*), the Note Trustee may also agree, without the consent of the Noteholders, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

11.8 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Note Trustee is required to have regard to the interests of the Noteholders, it shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deeds of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the security constituted by the Deeds of Charge and the Declaration of Trust unless indemnified and/or secured and/or pre-funded to their satisfaction.

The Trust Deed and the Deeds of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or any other Secured Creditor, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

13. REPLACEMENT OF NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

14. NOTICE TO NOTEHOLDERS

Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to the Clearing Systems for communication by them to the holders of the Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange), any notice shall also be published in accordance with the relevant listing rules and regulations (which includes making such notices available on the companies announcement office of the Irish Stock Exchange).

In addition, for so long as the Notes are admitted to trading and listed as described above, the Issuer shall give one copy of each notice in accordance with this Condition 14 to the Irish Stock Exchange in accordance with the relevant listing rules and regulations.

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Notes are then admitted to trading and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

15. GOVERNING LAW

Each of the Trust Deed, the Notes and these Conditions (and, in each case, any non-contractual obligations arising out of or in connection with the relevant document) is governed by, and shall be construed in accordance with, English law.

16. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

IRISH TAXATION

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications on the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Noteholders

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. To the extent that interest is paid, or treated as paid, on the Notes, the Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from such payment so long as it does not constitute Irish source income. Interest, to the extent that it is paid, or treated as paid, on the Notes may be treated as having an Irish source if:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or if the Notes are in bearer form the Notes are physically held in Ireland; or
- (c) the assets relating to the Notes are attributed to an Irish branch or agency of the Issuer.

To the extent that interest is paid, on the Notes and is regarded as having an Irish source, the Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note so long as the interest paid on the relevant Note falls within one of the following categories:

- 2. *Interest paid on a quoted Eurobond:* The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:
 - (a) the notes are quoted Eurobonds i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as the Irish Stock Exchange) and which carry a right to interest; and
 - (b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:
 - (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or
 - (ii) the Noteholder is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and

- (c) one of the following conditions is satisfied:
- (i) the Noteholder is resident for tax purposes in Ireland; or
 - (ii) the Noteholder is subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or
 - (iii) the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:
 - (1) from whom the Issuer has acquired assets;
 - (2) to whom the Issuer has made loans or advances; or
 - (3) with whom the Issuer has entered into a swap agreement,where the aggregate value of such assets, loans, advances or swap agreements represents not less than 75 per cent. of the assets of the Issuer; or
 - (iv) at the time of issue of the Notes, the Issuer was not in possession, or aware, of any information which could reasonably be taken to indicate whether or not the beneficial owner of the Notes would be subject to tax on any interest payments,

where the term:

"relevant territory" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double taxation agreement ("**Relevant Territory**"); and

"swap agreement" means any agreement, arrangement or understanding that:

- (i) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof; and
- (ii) transfer to a person who is a party to the agreement, arrangement or understanding or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in an asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange, are held in Euroclear and/or Clearstream, Luxembourg, and one of the conditions set out in paragraph 1(c) above is met, interest on the Notes can be paid by any paying agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but

cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland and one of the conditions set out in paragraph 1(c) above is met.

3. *Interest paid by a qualifying company to certain non-residents:*

If, for any reason, the exemption referred to above ceases to apply, interest payments may still be made free of withholding tax provided that:

- (a) the Issuer remains a "qualifying company" as defined in Section 110 of the Taxes Consolidation Act of Ireland 1997, as amended ("**TCA**") and the Noteholder is a person which is resident in a Relevant Territory, and, where the recipient is a company, the interest is not paid to it in connection with a trade or business carried on by it in Ireland through a branch or agency. The test of residence is determined by reference to the law of the Relevant Territory in which the Noteholder claims to be resident. The Issuer must be satisfied that the terms of the exemption are satisfied; and
- (b) one of the following conditions is satisfied:
 - (i) the Noteholder is a pension fund, government body or other person (which satisfies paragraph 2(c)(iii) above), which is resident in a Relevant Territory and which, under the laws of that territory, is exempted from tax that generally applies to profits, income or gains in that territory; or
 - (ii) the Noteholder is subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory.

Encashment Tax

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA, the recipient is not resident in Ireland or is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory or the interest is exempted from the charge to Irish income tax under the terms of a double taxation agreement which is either in force or which will come in to force once all ratifications procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax where the recipient is a person not resident in Ireland and resident in a Relevant Territory. Finance Act 2012 extends the quoted Eurobond exemption to companies which are under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purposes of tax in a Relevant Territory and are not under the control of person(s) who are not so resident, and to 75% subsidiary companies of a company or companies the principal class of shares in which is substantially and regularly traded on a recognised stock exchange. For the purposes of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

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.

Relief from Irish income tax may also be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, the charge to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

Capital Gains Tax

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 33 per cent. (assuming that the measures announced on 5 December 2012 by the Minister for Finance are enacted into law in the relevant statutory time frame)) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

EU Savings Directive

Ireland has implemented the EC Council Directive 2003/48/EC on the taxation of savings income into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address) to the Irish Revenue Commissioners who in turn is obliged to provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

The Issuer, or any person or agent acting on behalf of the Issuer, shall be entitled to require Noteholders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Noteholders will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer, or any person or agent acting on behalf of the Issuer, to the relevant tax authorities.

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act 1999 so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

SALE AND PURCHASE

On or around the 21 May 2013, in respect of the issue of the Notes, Santander has in a notes purchase agreement (the "**Notes Purchase Agreement**") entered into between Santander (the "**Notes Purchaser**") and the Issuer agreed that the Note Purchaser will purchase the Notes in an offshore transaction meeting the requirements of Regulation S at the issue price of 100 per cent. of the nominal amount of the Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. Santander is entitled to be released and discharged from its obligations in relation to any agreement to purchase the Notes under the Notes Purchase Agreement in certain circumstances prior to the Closing Date.

United States

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Arranger has represented and agreed that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the Arranger of all Notes, within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Notes, an offer or sale of such Notes within the United States by the Arranger may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

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**"), the Notes Purchaser will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) 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); or
- (c) 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 (a) to (c) above shall require the Issuer or the Notes Purchaser 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 and the expression **"Prospectus Directive"** means 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.

United Kingdom

The Notes Purchaser will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**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; and
- (b) 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.

Ireland

The Notes Purchaser will be required to represent and agree that:

- (a) it has not underwritten 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 underwritten and will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Bank Acts 1942 to 2011 (as amended) and any codes of conduct rules made under section 117(1) of the Central Bank Act 1998; and
- (c) it has not underwritten 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 Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

Kingdom of Spain

The Notes Purchaser will be required to represent and agree that:

- (a) the Notes are not being initially offered, sold or resold in the Kingdom of Spain by means of a public offer as defined and construed by Article 30 bis of Law 24/1988, of 28 July, on the

Spanish Securities Market (Ley 24/1988, de 28 de julio, del Mercado de Valores) (as amended from time to time), by Royal Decree 1310/2005, of 4 November, on admission to listing and on issues and public offers of securities (Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos) (as amended from time to time) and any other regulation developing them which may be in force from time to time; and

- (b) the Notes may be subsequently offered, sold or resold in the Kingdom of Spain, by any other means different from a public offer, in compliance with the requirements of such laws and any other regulations which may be in force from time to time.

France

The Notes Purchaser will be required to represent and agreed that:

- (a) this Prospectus has not been prepared in the context of a public offer of Notes in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulations of the French financial market authority (*Règlement Général de l'Autorité des marchés financiers*);
- (b) it has not offered, sold or otherwise transferred and will not offer, sell or otherwise transfer, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Prospectus or any offering material relating to the Notes and that such offers, sales, transfers and distributions have been made and will be made in France only to:
 - (i) qualified investors (*investisseurs qualifiés*) acting for their own account; and/or
 - (ii) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*);

all as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D.411-1 to D.411-3 of the French Monetary and Financial Code (*Code monétaire et financier*); and

- (c) the Prospectus or any other offering material relating to the Notes are not to be further distributed or reproduced (in whole or in part) by the addressee and have been distributed on the basis the addressee invests for its own account, as necessary, and does not resell or otherwise retransfer, directly or indirectly, the Notes to the public in France other than in compliance with Articles L. 411-1, L.411-2 and the related provisions of the French Monetary and Financial Code (*Code monétaire et financier*).

General

The Notes Purchaser will represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefor.

Neither the Arranger, the Issuer nor the Borrower represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

1. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes to be issued by it. The issuance of the Notes and the making of the Issuer / Borrower Loan were duly authorised by resolutions of the Board of Directors of the Issuer held on 25 April 2013.

2. Significant or Material Change

Save as disclosed in this Prospectus, there has been no significant change in the financial or trading position or prospects of the Issuer since the date of its incorporation and there has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.

3. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have since the date of its incorporation had a significant effect on the financial position or profitability of the Issuer.

4. Financial Statements

The Issuer has been established as a special purpose vehicle for the purpose of issuing the Notes in connection with the advancing of the Issuer/Borrower Loan. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the registered office of the Issuer. The Issuer does not publish interim accounts. The Issuer does not intend to provide any other post-issuance information.

5. Listing of Notes

Application has been made to list the Notes on the Irish Stock Exchange by the Issuer, through the listing agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or to trading on the Main Securities Market.

The Issuer estimates the amount of expenses related to the admission of the Notes to trading on the Irish Stock Exchange to be approximately EUR 5,000.

6. Documents on Display

For so long as any Notes are outstanding, hard copies of the following documents (in English) will, when published, be available for inspection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer and the specified office of the Principal Paying Agent for the time being in London:

- (a) the constitutional documents of the Issuer;
- (b) the Charged Agreements;

- (c) the Master Definitions and Construction Agreement;
- (d) the Trust Deed;
- (e) this Prospectus; and
- (f) the Notes Purchase Agreement.

This Prospectus will be published on the Central Bank's website (<http://www.centralbank.ie>).

Requests for such documents should be directed to the Issuer at its office set out at the end of this Prospectus. In addition, such documents will be available upon request from the principal office of the Principal Paying Agent, any paying agent and the Issuer and the Arranger will, in connection with the listing of the Notes on the Irish Stock Exchange, so long as any Notes remain outstanding and listed on such exchange, in the event of any material change in the condition of the Issuer which is not reflected in this Prospectus, prepare a supplement to this Prospectus.

7. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following Common Codes and ISINs:

Note	ISIN	Common Code
Regulation S	XS0920886420	092088642

The address of Euroclear is 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium.

The address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

8. Post-Issuance Information

The Issuer does not intend to provide any post-issuance information in relation to the Notes or the Issuer/Borrower Loan.

INDEX OF DEFINED TERMS

Defined Term	Page	Collateral Transfer	56
\$	iii	Collection Account	1, 56
£	iii	COMI	8
€	iii	Commission	15
2010 PD Amending Directive	ii, 123	Commitment	46
Account Bank	37	Common Depositary	102
Accreted Face Amount	110	Companies Acts	100
Accrual Yield	106	Conditions	102
Additional Security	55	Corporate Services Provider	37
Agency Agreement	102	Coupons	93
Agents	37	CRA Regulation	i
Arranger	37	CRD	35
Asset Records	55	CRD III	35
Assigned Assets Back-Up Facilitator	37, 73	CRD IV	36
Assigned Assets Back-Up Servicer	3, 73	Dealers	56
Assigned Assets Back-Up Servicing Deed	73	Declaration of Trust	ii, 84, 102
Assigned Assets	ii, 2, 59	Deeds of Charge	ii, 83, 102
Assigned Security	55	Default	45
Assignment Formalities	55	Definitive Notes	i, 38, 103
Auction Agent	55	Denominations	39
Available Funds	86	Disruption Event	45
Back-Up Beneficiary Agent	55	Early Redemption of the Notes	5, 38
Back-Up Servicer	56	ECA Borrower	iii, 43
Basel Committee	14, 35	ECA Facility Agreement Debtors	56
Basel II	35	ECA Facility Agreement Documents	56
Basel III	35	ECA Facility Agreement Receivable	56
Bearer Notes	i, 38	ECA Facility Agreement	56
Beneficial Owner	96	ECA Guarantee	ii, 43, 56
Beneficiary Agent	37	ECA Guarantor	ii, 43, 56
Beneficiary	59	ECA Loan	ii, 2
Borrower Deed of Charge	2, 71	ECA Payments	3
Borrower Security Documents	41	ECA	ii
Borrower Surplus Ledger	75	ECB	11
Borrower Surplus	86	ECJ	8
Borrower	ii, 1, 37, 46	Effective Date	57
Business Day	45, 107	Eligibility Criteria	43, 60
Calculation Date	42	Enforcement Claim Reserve Amount	40
Calculation Period	86	Enforcement Value	57
Cash Flows	42	English Charged Property	82
Cash Management Agreement	74	English Deed of Charge	ii, 82, 102
Cash Management Report	74	Euro	iii
Cash Manager	37	Euroclear	i, 38, 93, 95, 102
Central Bank	i	Exchange Date	93
Charge	9	Expenses Ledger	76
Charged Agreement(s)	41	External Dealer	57
Charged Property	41, 84	Extraordinary Expenses	47
Clearing Systems	95, 102	FATCA	34
Clearstream, Luxembourg	i, 38, 93, 95, 102	Final Price Amount	57
Closing Date	i, 3, 102	Finance Documents	45
Collateral Security Agreement	59	First Payment Date	86
Collateral Security Provider	59	Fitch	i, 57

Form of Notes	38	Non-Credit Rights.....	58
Formalities Checklist	57	Note Trustee	37, 72, 102
FSMA.....	60	Noteholder	94
Full Quotation	57	Notes Buy-Back Date	54
Further Fee Amount	76	Notes Enforcement Notice.....	43
Governing Law	39	Notes Final Maturity Date	5, 38, 108
Group	10	Notes Post-Enforcement Cash Flows	43
Guaranteed Obligations.....	57	Notes Post-Enforcement Priority of	
holder of Notes.....	94	Notes Purchase Agreement	122
Independent Valuator	57	Notes Purchaser	122
Interest on the Notes	38	Notes Scheduled Maturity Date.....	5, 38, 108
Irish Charged Property	84	Notes.....	i, 3, 93, 102
Irish Deed of Charge	ii, 83	Offer of Notes to the public.....	123
Irish Listing Agent	37	Official List	i
Irish Stock Exchange	i	Original Finance Statements.....	46
IRS	34	Other Parties	38
Issue Price	38	Other Party.....	38
Issuer Domestic Account	ii	Partial Quotation.....	58
Issuer Main Account	57, 57	Participating Member State	15
Issuer Power of Attorney	84	Payment Date.....	42, 86, 107
Issuer Profit Amount	87	Payment Default Period.....	60
Issuer Security.....	41	Payment Redirection Notice	3, 58
Issuer	i, 1, 37, 100	Payments.....	90
Issuer/Borrower Loan Acceleration Notice.....	54	Permanent Global Note	i, 38, 93, 103
Issuer/Borrower Loan Agreement ii, 1, 39, 46		Pre-Enforcement Priority of Payments.....	86
Issuer/Borrower Loan Enforcement.....	2, 54	Pre-Enforcement) Priority of Payments.....	88
Issuer/Borrower Loan	ii, 1, 39, 98	Principal Paying Agent.....	37, 81, 102
Legal Counsel	57	Priority of Payments	43, 90
Lender	ii, 1, 37, 46	Prospectus Directive	i, ii
Liquidity Coverage Ratio.....	35	Prospectus Regulations.....	i
Listing	39	Quotation Amount	58
Loan Acceleration Notice	57	Quotation	58
Loan Agent.....	37, 46	Rating Agencies.....	i, 58
Loan Enforcement Notice	57	Rating	39
Loan Event of Default.....	51	RDL 5/2005	59
Loan Final Maturity Date.....	40, 47	Receipts	93
Loan Interest	39, 46	Redemption.....	5
Loan Payment Dates	40	Reference Price.....	38, 111
Loan Payment Event of Default.....	66	Regulation S	i
Loan Post-Enforcement (Notes		Related Security.....	ii, 2, 43, 59
Loan Post-Enforcement Cash Flows.....	42	Relevant Implementation Date	122
Loan Pre-Enforcement (Notes		Relevant Member State	122
Loan Pre-Enforcement Cash Flows	42	Representations and Warranties /	
Loan Term End Date.....	40, 46	Eligibility Criteria.....	43
Loan Term.....	39, 46	Request	46
Loan	45	Responsible Person.....	ii
Main Securities Market.....	i	Revenue Ledger.....	75
Minimum Quotation Amount.....	58	Risk Factors	5
Moody's Spain.....	i	S&P.....	i, 59
Moody's.....	i, 58	Santander	102
Negative Pledge	39	Secured Creditors	41
Net Stable Funding Ratio.....	35	Secured Obligations.....	85
Net Upfront Fee	76	Securities Act.....	i

Security for the Issuer/Borrower Loan.....	1, 43
Security for the Notes	4, 40
Security Interest	46
Security Period.....	59
Security Report Date	59
Security Trustee	59, 102
Selling Restrictions	39
Senior Expenses Cap.....	86
Servicer Report	73
Servicing of the Issuer/Borrower Loan.....	40
Servicing Standard	59
Share Declaration of Trust	100
Share Trustee	100
Shares	100
Spanish Insolvency Law	46
Specified Indebtedness.....	46
Status of the Notes	39
Sterling.....	iii
Tax	46
Taxation	39
Temporary Global Note	i, 38, 93, 102
Term End Date	40, 46
Third Party Information	ii
Threshold Amount	46
Transaction Dealer	59
Transaction Documents.....	45
Trust Corporation.....	73
Trust Deed.....	102
Trust Property	41, 84
Upfront Fee	40
USD.....	iii
Use of Proceeds.....	39
Weighted Average Quotation.....	59

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