

BASE PROSPECTUS



SANTANDER CONSUMER FINANCE, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

(5,000,000,000)

EURO MEDIUM TERM NOTE PROGRAMME

This base prospectus (this "**Base Prospectus**") has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, as a base prospectus in accordance with Article 5.4 of the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. The CSSF assumes no responsibility as to the economic and financial soundness of the transactions and the quality or solvency of Santander Consumer Finance, S.A. (the "**Issuer**"). Applications have been made to the Luxembourg Stock Exchange to admit Notes issued under the Programme during the period of twelve months after the date hereof to listing on the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) which is a regulated market for the purposes of Directive 2004/39/EC. This Base Prospectus and any information incorporated by reference herein will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "*Risk Factors*" on pages 14 to 32 of this Base Prospectus). Potential purchasers should note the statements on pages 175 to 182 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 13/1985 of 25 May 1985 ("**Law 13/1985**"), as amended, on the Issuer relating to the identity and country of residence of Noteholders. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information regarding Noteholders is not received by the Issuer in a timely manner.

Arranger

Morgan Stanley

Dealers

Barclays Capital
BofA Merrill Lynch
Commerzbank
Danske Bank
Goldman Sachs International
J.P. Morgan
Nomura
SEB
The Royal Bank of Scotland

BNP PARIBAS
Citigroup
Credit Suisse
Deutsche Bank
HSBC
Morgan Stanley
Santander Global Banking & Markets
Société Générale Corporate & Investment Banking
UBS Investment Bank

The date of this Base Prospectus is 18 November 2011

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IMPORTANT NOTICES

Santander Consumer Finance, S.A. (the "**Issuer**") accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as amended and/or supplemented by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

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

No person has been authorised to give any information or to make any representation regarding the Issuer and the companies whose accounts are consolidated with those of the Issuer (together, the "**Consumer Group**") or the Notes not contained in or consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any supplement hereto, or any Final Terms or any document incorporated herein by reference. Neither the delivery of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely

to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms or Drawdown Prospectus, as the case may be, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms or Drawdown Prospectus, as the case may be, constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer or any Dealer that any recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euros at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms or a

Drawdown Prospectus in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by Final Terms or is a Drawdown Prospectus which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms or drawdown prospectus, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means 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.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, certain of the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or their affiliates. Certain of the Dealers or their affiliates which have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any

such short positions could adversely affect future trading prices of Notes issued under the Programme. Certain of the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

For the avoidance of doubt, uniform resource locators ("**URLs**") given in respect of web-site addresses in the Base Prospectus are inactive textual references only and it is not intended to incorporate the contents of any such web sites into this Base Prospectus nor should the contents of such web sites be deemed to be incorporated into this Base Prospectus.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and 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**") will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

All references in this Base Prospectus to "U.S. \$" or to "U.S. Dollars" are to United States dollars, references to "Sterling" are to pounds sterling and references to "EUR", "euro" and "€" are to the single currency of participating Member States of the European Union.

GENERAL DESCRIPTION OF THE PROGRAMME

The programme is a €5,000,000,000 Medium Term Note Programme under which the Issuer may from time to time issue Notes in accordance with and subject to all applicable laws and regulations and denominated in any currency, subject as set out herein. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be endorsed on that Note, and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions, as more fully described under "*Form of the Notes*" below.

SUMMARY

*The following constitutes the summary (the "**Summary**") of the essential characteristics and risks associated with the Issuer and the Notes to be issued under the Programme. This Summary should be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference, any supplement and the relevant Final Terms. Following the implementation of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus, including any information incorporated by reference, any supplement and the relevant Final Terms. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member States, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.

Issuer: Santander Consumer Finance, S.A.

Risk Factors: Investing in Notes issued under the Programme involves certain risks, as discussed under "*Risk Factors*" below. Such risks relate to, among other things, risks inherent in the business of the Consumer Group and the industries in which it operates, and risks relating to the nature of the Notes and to the structure of certain types of Notes (such as Credit Linked Notes). Other risks described herein relate to: the risk of suffering a withholding on payments in accordance with Spanish law; risks relating to the role of the *Comisario*; and risks relating to the reclassification of the ranking of claims under the Notes on an insolvency of the Issuer.

Arranger: Morgan Stanley & Co. International plc.

Dealers: Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Danske Bank A/S, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, Skandinaviska Enskilda Banken AB (publ), Société Générale, The Royal Bank of Scotland plc, UBS Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the

Programme or in relation to a particular Tranche of Notes.

Issue and Paying Agent:

Citibank, N.A., London Branch

**Luxembourg Listing Agent
and Paying Agent:**

Dexia Banque Internationale à Luxembourg, société anonyme.

**Final Terms or Drawdown
Prospectus:**

Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Prospectus.

Listing and Admission to Trading:

Applications have been made to the Luxembourg Stock Exchange to admit Notes issued under the Programme during the period of twelve months after the date hereof to listing on the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems (each, a "**Stock Exchange**") (as may be agreed between the Issuer and the relevant Dealer or Dealers and specified in the relevant Final Terms). Under Spanish law, unlisted Notes are subject to a different tax regime than that applicable to listed Notes and, if issued under the Programme, such Notes will be the subject of a supplement to the Base Prospectus.

Clearing Systems:

Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**", together with Euroclear, the "**ICSDs**") and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

Initial Programme Amount:

Up to €5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.

Issuance in Series:

Notes will be issued in series (each a "**Series**"). Each Series may comprise one or more tranches (each a "**Tranche**") issued on different issue dates. The Notes of each Series will all be subject

to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

Forms of Notes:

Notes may be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Currencies:

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes:

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

Issue Price:

Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be

determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities:

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Subordinated Notes qualifying as regulatory capital (*recursos propios*) in accordance with Banco de España requirements will have a maturity of not less than five years or, in the case of any Note that has been issued pursuant to the requirements of Bank of Spain Circular 3/2008 of 22 May (*Circular 3/2008, de 22 de mayo, del Banco de España*) for Subordinated Notes having a maturity of not less than two years ("**Short Term Subordinated Notes**"), two years from their date of issue or as otherwise permitted by Banco de España.

Redemption:

Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

Optional Redemption:

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.

Any early redemption of Subordinated Notes (other than Short Term Subordinated Notes) qualifying as regulatory capital (*recursos propios*) is subject to the prior consent of Banco de España and may not take place within a period of five years from their date of issue or as otherwise permitted by Banco de España and they may not be redeemed at the option of the Noteholder prior to their stated maturity. Short Term Subordinated Notes may not be redeemed until two years after the issue date (or otherwise as permitted by applicable law) and such redemption is subject to the prior consent of the Banco de España.

Subordinated Notes may not be redeemed at the option of the Noteholder prior to their stated maturity.

Tax Redemption:

Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 7.02 (*Redemption and Purchase — Early Redemption for Taxation Reasons*).

Interest:	Interest may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	No Notes may be issued under the Programme which (a) have a minimum denomination of less than €1,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Senior Notes will have the benefit of a negative pledge as described in Condition 4 (<i>Negative Pledge</i>).
Cross Default:	The Senior Notes will have the benefit of a cross default as described in Condition 8 (<i>Events of Default</i>).
Taxation:	<p>All payments in respect of Notes will be made free and clear of withholding taxes of the Kingdom of Spain unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 9 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> <p>The Issuer shall not be required to pay any such additional amounts as referred to above in relation to any payment in respect of any Note or Coupon in the circumstances described in Condition 9.02 of the Terms and Conditions of the Notes. In particular, prospective Holders of Notes should note that no such additional amounts are payable to holders of Notes in respect of whose Notes the Issuer does not receive such information as it may require in order to comply with Law 13/1985, of 25 May 1985, as amended, and any implementing legislation (see Condition 9.02(ii) of the Terms and Conditions of the Notes), to, or to the third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain (see Condition 9.02(vi) of the Terms and Conditions of the Notes) or in circumstances where the Issuer is required to withhold tax pursuant to the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) or pursuant to any agreement</p>

with the US Internal Revenue Service (see Condition 9.02 *in fine*).

Information requirements under Spanish law:

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

If the Issue and Paying Agent fails to provide the Issuer with the required information described under "*Taxation in Spain—Information about the Notes in Connection with Payments*", the Issuer will be required to withhold tax and may pay income in respect of the relevant Notes net of the Spanish withholding tax applicable to such payments (currently at the rate of 19 per cent.).

None of the Issuer, the Arranger, the Dealers or the European clearing systems assumes any responsibility therefor.

Governing Law:

The issue of the Notes, including their legal nature (*obligaciones*), the status of the Notes and the subordination provisions in relation to the Notes, the capacity of the Issuer, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Notes will be governed by Spanish law. The terms and conditions of the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant and all non-contractual obligations arising out of or in connection with the terms and conditions of the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant, are governed by, and shall be construed in accordance with, English law.

Enforcement of Notes in Global Form:

In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 18 November 2011, a copy of which will be available for inspection at the specified office of the Issue and Paying Agent.

Ratings:

The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material, see "*Subscription and Sale*" below.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

Investing in Notes issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following:

The Issuer believes that the following factors may affect its ability to fulfil its respective obligations under Notes issued under the Programme. Most 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.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay any amounts due on or in connection with any Notes or the Deed of Covenant, may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the information set out elsewhere in this Base Prospectus and reach their own view prior to making any investment decision.

Risks relating to the Issuer

Since the Consumer Group's loan portfolio is concentrated in Continental Europe, adverse changes affecting the Continental European economy could adversely affect the Consumer Group's financial condition.

The Consumer Group's loan portfolio is mainly concentrated in Continental Europe, in particular Germany, accounting for approximately 42 per cent. of total outstanding portfolio in December 2010, and Spain, with 16 per cent. of the total outstanding portfolio at that date. Therefore, adverse changes affecting the economies of Continental European countries, in particular Germany and Spain, where the Consumer Group operates, would likely have a significant adverse impact on the Consumer Group's loan portfolio and, as a result, on its financial condition, cash flow and results of operations.

Some of the Consumer Group's business is cyclical and the Consumer Group's income may decrease when demand for certain products or services is in a down cycle.

The level of income the Consumer Group derives from certain of its products and services depends on the strength of the economies in the regions where the Consumer Group operates and certain market trends prevailing in those areas. Therefore, negative cycles may adversely affect the Consumer Group's income in the future.

The Consumer Group's business could be affected if its capital is not managed effectively.

Effective management of the Consumer Group's capital position is important to its ability to operate its business, to continue to grow organically and to pursue its strategy. Any future change that limits the Consumer Group's ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms could have a material adverse effect on the Consumer Group's financial condition and regulatory capital position.

A sudden shortage of funds could increase the Consumer Group's cost of funding and have an adverse effect on the Consumer Group's liquidity and funding.

Historically, one of the Consumer Group's sources of funds has been customer deposits. At 31 December 2010, 46 per cent. of funding had been undertaken through customer deposits in Germany, Poland and Italy. Sight deposits and saving accounts represented 42 per cent. of total customer deposits at that date. Sight deposits and saving accounts may be a less stable source of deposits than other types of deposits.

The widespread crisis in investor confidence and resulting liquidity crisis experienced in 2008 and into early 2009 increased the Consumer Group cost of funding and limited its access to some of its other traditional sources of liquidity such as domestic and international capital markets, and the interbank market, and there is no assurance that these conditions could not occur in the future.

The possibility of the moderate economic recovery returning to recessionary conditions or of turmoil or volatility in the financial markets would likely have an adverse effect on the Consumer Group's business, financial position and results of operations.

Following a severe recession in mid-2009, the world economy began a period of moderate recovery in 2010. That recovery began to slow in 2011, which risks leading to another recession. The sustainability of the moderate recovery is dependent on a number of factors that are not within the Consumer Group's control, such as a return to private sector job growth and investment, strengthening of housing sales and construction, continuation of the economic recovery globally, and the timing of the exit from government credit easing policies. The Consumer Group continues to face risks resulting from the aftermath of the severe recession generally and the moderate pace of the current recovery. A slowing or failure of the economic recovery could bring a return to some or all of the adverse effects of the earlier recessionary conditions.

Since the middle of 2007, there has been disruption and turmoil in financial markets around the world. Throughout many of the Consumer Group's largest markets, including Spain, there have been dramatic declines in the housing market, with falling home prices and increasing foreclosures, high levels of unemployment and underemployment, and reduced earnings, or in some cases losses, for businesses across many industries, with reduced investments in growth.

This overall environment resulted in significant stress for the financial services industry, and led to distress in credit markets, reduced liquidity for many types of financial assets, including loans and securities, and concerns regarding the financial strength and adequacy of the capitalisation of financial institutions. Some financial institutions around the world have failed, some have needed significant additional capital, and others have been forced to seek acquisition partners.

Reflecting concern about the stability of the financial markets generally and the strength of counterparties, as well as concern about their own capital and liquidity positions, many lenders and institutional investors reduced or ceased providing funding to borrowers. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets exacerbated the state of economic distress and hampered, and to some extent continues to hamper, efforts to bring about and sustain an economic recovery.

These economic conditions have had an adverse effect on the Consumer Group's business and financial performance. While the global economy as a whole is currently experiencing a moderate recovery, the Consumer Group expects these conditions to continue to have an ongoing negative impact on the Consumer Group. A slowing or failure of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on the Consumer Group and on others in the financial services industry.

In an attempt to prevent the failure of the financial system, Spain, the United States and other European governments intervened on an unprecedented scale. In Spain, the government increased consumer deposit guarantees, made available a program to guarantee the debt of certain financial institutions, created a fund to purchase assets from financial institutions and the Spanish Ministry of Economy and Finance was authorised, on an exceptional basis and until December 31, 2009, to acquire, at the request of credit institutions resident in Spain, shares and other capital instruments (including preferred shares) issued by such institutions. Additionally, in 2009 the Spanish government created the Orderly Banking Restructuring Fund ("**FROB**") to manage the restructuring processes of credit institutions and reinforce the equity of institutions undergoing integration. In the United States, the federal government took equity stakes in several financial institutions, implemented a program to guarantee the short-term and certain medium-term debt of financial institutions, increased consumer deposit guarantees, and brokered the acquisitions of certain struggling financial institutions, among other measures. In the United Kingdom, the government effectively nationalized some of the country's largest banks, provided a preferred equity program open to all financial institutions and a program to guarantee short-term and certain medium-term debt of financial institutions, among other measures.

Despite the extent of the aforementioned intervention, global investor confidence remains cautious. The world's largest developed economies, including the United States and United Kingdom, grew during 2010, although in most cases still at a slow pace. In addition, recent downgrades of the sovereign debt of Greece, Portugal and Spain, and the attempts by the International Monetary Fund and the European Union to rescue the Greek, Portuguese and Irish economies, have caused volatility in the capital markets. Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Consumer Group's ability to access capital and liquidity on financial terms acceptable to the Consumer Group, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Consumer Group may be forced to raise the rates it pays on deposits to attract more customers. Any such increase in capital markets funding costs or deposit rates would entail a repricing of loans, which would result in a reduction of volume, and may also have an adverse effect on the Consumer Group's interest margins. A further economic downturn, especially in Spain or certain other European countries, could also result in a further reduction in business activity and a consequent loss of income for the Consumer Group.

Risks concerning borrower credit quality and general economic conditions are inherent to the Consumer Group's business.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent to a wide range of the Consumer Group's businesses. Adverse changes in the credit quality of the Consumer Group's borrowers and counterparties or a general deterioration in European or global economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of the Consumer Group's assets and require an increase in the Consumer Group's level of allowances for credit losses. Deterioration in the economies in which the Consumer Group operates could reduce the profit margins for the Consumer Group's businesses.

The financial problems which the Consumer Group's customers may face could adversely affect the Consumer Group.

Market turmoil and economic recession could materially adversely affect the liquidity, businesses and/or financial condition of the Consumer Group's borrowers, which could in turn further increase the Consumer Group's non-performing loan ratios, impair the Consumer Group's loan and other financial assets and result in decreased demand for borrowings in general. In a context of continued market turmoil, economic recession and increasing unemployment, coupled with declining consumer spending, the value of assets collateralising the Consumer Group's secured loans, including homes and other real estate, could still decline significantly, which could result in an impairment of the value of the Consumer Group's loan assets. In the second half of 2008 and across the first semester of 2009 the Consumer Group experienced an increase in the Consumer Group's non-performing loans ratios, although in the second half of 2009 risk premium dropped slightly due to tighter admission policies and new collection strategies. This good performance was confirmed during year 2010, where a good evolution was seen on the main risk metrics. Any deterioration of the conditions described above could have a material adverse effect on the Consumer Group's business, financial condition and results of operations.

The Consumer Group is exposed to risks faced by other financial institutions.

The Consumer Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Defaults by, and even rumours 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. These liquidity concerns have had, and may continue to have, a chilling effect on inter-institutional financial transactions in general. Some of the transactions the Consumer Group enters into expose it to significant credit risk in the event of default by one of the Consumer Group's counterparties. Despite the risk control measures the Consumer Group has put in place, a default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Consumer Group's business, financial condition and results of operations.

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

The Consumer Group financial and operating performance may be adversely affected by force majeure, 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 or could have an adverse impact on the economy of the affected region.

Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in the Consumer Group business. Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.

The performance of financial markets may cause changes in the value of the Consumer Group's investment and trading portfolios. In some of the Consumer Group's business, protracted adverse market movements, particularly asset price decline, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Consumer Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Consumer Group for which there are less liquid markets. Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that the Consumer Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Consumer Group does not anticipate.

The volatility of world equity markets due to the recent economic uncertainty has had a particularly strong impact on the financial sector. Continued volatility may affect the value of the Consumer 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 Consumer Group's results.

Despite the Consumer Group's risk management policies, procedures and methods, the Consumer Group may nonetheless be exposed to unidentified or unanticipated risks.

The Consumer Group's risk management techniques and strategies may not be fully effective in mitigating the Consumer Group's risk exposure in all economic market environments or against all types of risk, including risks that the Consumer Group fails to identify or anticipate. Some of the Consumer Group's qualitative technologies and strategies for managing risk are based upon the Consumer Group's use of observed historical market behaviour. The Consumer Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative techniques and strategies may fail to accurately predict future risk exposures. These risk exposures could, for example, arise from factors that the Consumer Group did not anticipate or correctly evaluate in its statistical models. This would limit the Consumer Group's ability to manage its risks. The Consumer Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Consumer Group's quantified modelling does not take all risks into account. The Consumer 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 Consumer Group's risk management is inadequate, they could take their business elsewhere. This could harm the Consumer Group's reputation as well as its revenues and profits.

The Consumer Group's recent and future acquisitions may not be successful and may be disruptive to the Consumer Group's business.

The Consumer Group has historically acquired controlling interests in various companies, including the recent acquisition of the retail banking from SEB in Germany described in “Recent Developments” below, and has engaged in other strategic partnerships. Additionally, the Consumer Group may consider other strategic acquisitions and partnerships from time to time. There can be no assurances that the Consumer Group will be successful in its plans regarding the operation of past or future acquisitions and strategic partnerships.

The Consumer Group can give no assurance that its acquisition and partnership activities will perform in accordance with the Consumer Group's expectations. The Consumer Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to operations, profitability and other matters that may prove to be incorrect. The Consumer Group can give no assurances that its expectations with regards to integration and synergies will materialise.

Increased competition in the countries where the Consumer Group operates may adversely affect the Consumer Group's growth prospects and operations.

Most of the consumer finance markets in which the Consumer Group operates are highly competitive. Financial sector reforms in the markets in which the Consumer Group operates, have increased competition amount both local and foreign financial institutions, and the Consumer Group believes that this trend will continue. There can be no assurance that increased competition in the markets will not adversely affect the Consumer Group's growth prospects, and therefore its operations. The Consumer Group also faces competition from non bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, and financial companies.

Volatility in interest rates may negatively affect the Consumer Group's net interest income and increase the Consumer Group's non-performing loan portfolio.

Changes in market interest rates could affect the interest rates charged on interest earning assets differently than those paid on interest bearing liabilities. This difference could result in an increase in interest expenses relative to interest income leading to a reduction in the Consumer Group's net interest income. Rising interest rates may also bring about an increase in non performing loan portfolio. Interest rates are highly sensitive to many factors beyond the Consumer Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

Foreign exchange rate fluctuations may negatively affect the Consumer Group's earnings and the value of its assets and shares.

In the ordinary course of its business, the Consumer Group has a percentage of its assets and liabilities denominated in currencies other than the Euro. Fluctuations in the value of the Euro against other currencies may adversely affect the Consumer Group's profitability. Additionally, while most of the governments of the countries in which the Consumer Group operates have not

imposed prohibitions on the repatriation of dividends, capital investment or other distributions, no assurance can be given that these governments will not institute restrictive exchange control policies in the future.

Balance sheets of each business area are hedged in the area's own currency, basically using natural on-balance sheet hedges. There are higher open positions in the Head Office of the Consumer Group as a result of permanent investments in the banks of countries with currencies other than the Euro.

Changes in the regulatory framework, including increased regulation of the financial services industry in the jurisdictions where the Consumer Group operates, could adversely affect its business.

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. In response to the recent financial crisis, the European Union commenced a process of reforms to contend with the deficiencies detected in prudential regulation. These reforms coincide with what was agreed within the framework of the G-20 and the Basel II amendment presently underway. Along these lines, European Parliament and Council Directive 2009/111/EC, of 16 September 2009 was also approved, amending directives 2006/48/EC, 2006/49/EC and 2007/64/EC with respect to banks affiliated to a central body, certain elements of capital, major risk, the supervisory system and crisis management. In Spain, Act 6/2011, of 11 April, was passed, with the object of commencing the transposition of the aforementioned Directive 2009/111/EC, as well as Royal Decree 2/2010, of 18 February, for the reinforcement of the financial system. In line with the new international capital standards established by the so-called Basel III accords, this Royal Decree toughens the capital requirements of credit institutions. In turn, the Bank of Spain issued Circular 9/2010 of 22 December, which amends certain rules in order to establish more restrictive conditions regarding capital requirements for credit risk, credit risk mitigation techniques, securitisation and treatment of counterparty and trading book risk. The circular was issued following the passage of two EU Directives on risk management (Directive 2009/27/CE and Directive 2009/83/CE).

The European Union has created a European Systemic Risk Board to monitor financial stability and 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.

With respect to the United Kingdom, the report issued last September by the Independent Banking Commission proposed a series of reforms to its banking system, pending approval, with the object of achieving a more stable and competitive system in the long-term and which should be implemented no later than 2019. Among the reforms proposed, the most significant concerns structural separation with a "firewall" between retail and wholesale banking.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act was adopted in 2010 and will effect significant structural reforms to the financial services industry. This

legislation provides for, among other things: the establishment of a Bureau of Consumer Financial Protection which will have broad authority to regulate the credit, savings, payment and other consumer financial products and services that the Consumer Group offers; the creation of a structure to regulate systemically important financial companies; more comprehensive regulation of the over-the-counter derivatives market; prohibitions on the Consumer Group engaging in certain proprietary trading activities and restricting its ownership of, investment in or sponsorship of, hedge funds and private equity funds; restrictions on the interchange fees that the Consumer Group earns on debit card transactions; and a requirement that bank regulators phase out the treatment of trust preferred capital debt securities as Tier 1 capital for regulatory capital purposes.

The Basel Committee on Banking Supervision announced in December 2010 revisions to its Capital Accord, which will require higher capital ratio requirements for banks, narrow the definition of capital, and introduce short term liquidity and term funding standards, among other things. Also being considered is the imposition of a bank surcharge on institutions that are determined to be "globally significant financial institutions." These requirements could increase the Consumer Group's funding and operational costs.

These and any additional legislative or regulatory actions in Spain, the European Union, the United States or other countries, and any required changes to the Consumer Group's business operations resulting from such legislation and regulations, could result in significant loss of revenue, limit the Consumer Group's ability to pursue business opportunities in which the Consumer Group might otherwise consider engaging, affect the value of assets that the Consumer Group holds, require the Consumer Group to increase its prices and therefore reduce demand for its products, impose additional costs on the Consumer Group or otherwise adversely affect its businesses. Accordingly, the Consumer Group cannot provide assurance that any such new legislation or regulations would not have a material adverse effect on its business, results of operations or financial condition in the future.

The Consumer Group may also face increased compliance costs and limitations on its ability to pursue certain business opportunities. Changes in regulations, which are beyond the Consumer Group's control, may have a material effect on the Consumer Group's business and operations. 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, 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 Consumer Group's business.

Operational risks are inherent in the Consumer Group's business.

The Consumer Group's businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations.

The Consumer Group also faces the risk that the design of its controls and procedures proves to be inadequate or are circumvented. The Consumer Group has suffered losses from operational risk in

the past and there can be no assurance that the Consumer Group will not suffer material losses from operational risk in the future.

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

The Consumer 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 Consumer Group's strategy. The successful implementation of the Consumer 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 Consumer Group or one of its business units or other functions fails to staff its operations appropriately or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, the Consumer Group's business, financial condition and results of operations, including control and operational risks, may be adversely affected. Likewise, if the Consumer Group fails to attract and appropriately train, motivate and retain qualified professionals, its business may also be affected.

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

Maintaining a positive reputation is critical to the Consumer Group's attracting and maintaining customers, investors and employees. Damage to the Consumer Group's reputation can therefore cause significant harm to its business and prospects. Harm to the Consumer Group's reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory outcomes, failing to deliver minimum standards of service and quality, compliance failures, unethical behaviour, and the activities of customers and counterparties. Further, negative publicity regarding the Consumer 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 Consumer Group's reputation. For example, the role played by financial services firms in the financial crisis has damaged the reputation of the industry as a whole.

The Consumer Group could suffer significant reputational harm if it fails to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests has become increasingly complex as the Consumer 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 Consumer Group, or give rise to litigation or enforcement actions. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Consumer Group.

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

Failure to address issues appropriately such as potential conflicts of interest, legal and regulatory requirements, ethical issues, and conduct by companies in which the Consumer Group holds strategic investments or joint venture partners, could increase the number of litigation claims and the amount of damages asserted against the Consumer Group or subject the Consumer Group to

regulatory enforcement actions, fines and penalties. Currently, the Issuer and its subsidiaries are the subject of a number of legal proceedings and regulatory actions. An adverse result in one or more of these proceedings could have a material adverse effect on the Consumer Group's operating results for any particular period.

Credit, market and liquidity risk may have an adverse effect on the Consumer Group's credit ratings and its cost of funding.

Credit ratings affect the cost and other terms upon which the Consumer Group is able to obtain funding. Rating agencies regularly evaluate the Consumer Group and their ratings are based on a number of factors, including the Consumer Group's financial strength as well as conditions affecting the financial services industry generally.

Any downgrade in the Consumer Group's ratings or even in the Banco Santander, S.A. and its consolidated subsidiaries (the "**Santander Group**") rating could increase its borrowing costs, limit its access to capital markets and adversely affect the ability of the Consumer Group's business to sell or market its products, engage in business transactions and retain its customers. This, in turn, could reduce the Consumer Group's liquidity and have an adverse effect on its operating results and financial condition.

The sovereign rating of the country in which a company is domiciled implies a limit on the company's own rating. Therefore, rating downgrades that the countries in which the consumer group operates could suffer would also negatively affect the rating of the companies of the Consumer Group. Moody's Investors Service España, S.A. lowered Kingdom of Spain sovereign long-term rating to Aa2 negative outlook from Aa1 on 10 March 2011, and to A1 on 19 October 2011. On 4 March 2011, Fitch Ratings España, S.A.U affirmed their AA+ rating changing from stable to negative outlook and on 7 October 2011 lowered it to AA-. On 1 February 2011 Standard & Poor's Credit Market Services Europe Limited affirmed AA rating keeping the negative outlook and on 14 October 2011 lowered it to AA-.

While the Consumer Group's short-term debt is currently rated investment grade by the major rating agencies (P2 by Moody's Investors Service España, S.A., A1+ by Standard & Poor's Credit Market Services Europe Limited and F1+ by Fitch Ratings España, S.A.U.) Moody's Investors Service España, S.A. lowered the long-term rating from A2 to Baa1 on 24 March 2011 previously to the annual review, following their multiple rating actions on Spanish banks. Later, on 6 July 2011, Moody's Investors Service España, S.A. increased the long-term rating from Baa1 to A3 and changed the outlook from negative to stable. On 12 October 2011, by Fitch Ratings España, S.A.U. lowered the long-term rating from AA to AA- and Standard & Poor's Credit Market Services Europe Limited also lowered the rating from AA to AA-. 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 their current ratings or outlooks, or with regard to those rating agencies who have a negative outlook on the Consumer Group, there can be no assurances that such agencies will revise such outlooks upward. The Consumer Group failure to maintain those ratings and outlooks could increase the cost of its funding and adversely affect the Consumer Group's interest margins.

Risks Relating to the Notes

Risks Relating to the Insolvency Law.

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

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

Risks in Relation to Spanish Taxation.

The Issuer is required to provide certain information relating to the Notes to the Spanish tax authorities. If such information is not received by the Issuer it will be required to apply Spanish withholding tax to any payment of principal or interest in respect of the relevant Notes.

Under Spanish Law 13/1985 and Royal Decree 1065/2007, each as amended, payments of income in respect of the Notes will be made without withholding tax in Spain provided that the Issue and Paying Agent provides to the Issuer at the relevant time a certificate in the Spanish language substantially in the form set out in Exhibit I, attached hereto. The Issuer is required pursuant to Spanish law to provide certain information relating to the Notes to the Spanish tax authorities.

This information must be provided by the Issue and Paying Agent to the Issuer before the close of business on the Business Day (as defined in the Terms and Conditions of the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each a "**Payment Date**") is due. The information must be filed by the Issuer with the Spanish tax authorities on an annual basis.

The Issuer and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, the Issuer will withhold tax at the then-applicable rate (currently 19 per cent.) from any payment in respect of the relevant Notes. The Issuer will not pay any additional amounts with respect to any such withholding.

The Issue and Paying Agency Agreement provides that the Issue and Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. See "*Taxation in Spain - Information about the Notes in Connection with*

Payments". The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof. None of the Issuer or any of the Dealers assumes any responsibility therefor.

Royal Decree 1145/2011, of 29 July which amends Royal Decree 1065/2007, of 27 July provides that any payment of interest made under securities originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country will be made with no withholding or deduction from Spanish taxes provided that the relevant information about the Notes is received by the Issuer. In the opinion of the Issuer, payments in respect of the Notes will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Notes is submitted by the Issue and Paying Agent to it.

Notwithstanding the above, in the case of Notes held by Spanish resident individuals (and, under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the current rate of 19 per cent..

If the Spanish tax authorities maintain a different opinion as to the application by the Issuer of withholding to payments made to Spanish residents (individuals and entities subject to Corporate Income Tax), the Issuer will be bound by that opinion and, with immediate effect, will make the appropriate withholding and the Issuer will not, as a result, pay additional amounts.

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

The United States has passed legislation (commonly referred to as "**FATCA**") which, starting in 2015, will impose new information reporting requirements with respect to certain holders of "financial accounts," as such term is defined in the FATCA rules. Under FATCA, non-US financial institutions generally will be required to enter into agreements with the US Internal Revenue Service (the "**IRS**") to identify financial accounts held by US persons or entities with substantial US ownership, as well as accounts of other "financial institutions" that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term financial institution includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests. If a participating financial institution makes a relevant payment to an accountholder that has not provided information requested to establish the accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor will be required to withhold 30 per cent. on a portion of the payment. Recent guidance issued by the IRS indicates an intention to promulgate regulations that would treat, for example, interest and principal paid by a participating financial institution as being subject to 30 per cent. withholding, but only in proportion to the value of the financial institution's direct and indirect US assets as compared to its total assets. FATCA does not apply to Notes issued by 18 March 2012. An investor that is not a financial institution may be required to provide information to establish whether it is a US person or substantially owned by US persons in order to establish it is exempt from any withholding obligation pursuant to the FATCA rules. The withholding obligation in respect of a non-participating financial institution applies whether the

financial institution is receiving payments for its own account or on behalf of another person. An investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts withheld pursuant to the FATCA rules, though the investor would have to file a US tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund. It is not entirely clear how this rule applies to any withholding on payments of principal or disposition proceeds.

The Issuer will have no obligation to pay additional amounts or otherwise indemnify a Holder for any such FATCA withholding deducted or withheld by the Issuer, any Paying Agent or any other party. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

Reforms to Spanish banking legislation that result from the Basel III proposals could lead to Subordinated Notes being used to absorb losses of Santander Consumer Finance, S.A. in certain circumstances.

The Basel Committee on Banking Supervision (the "**Basel Committee**") has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks, the principal elements of which are set out in its papers released on 16 December 2010 and on 13 January 2011 (the "**January 2011 Press Release**").

The January 2011 Press Release states that the terms and conditions of all Additional Tier 1 and Tier 2 instruments must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into ordinary shares upon the occurrence of a specified trigger event (a "**Non-Viability Event**"). The Non-Viability Event will be the earlier of (a) a decision that a write-off, without which the firm would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the financial institution would become non-viable, as determined by the relevant authority.

However, the January 2011 Press Release also states that it is not necessary to include a Non-Viability Event in the contractual terms of the instruments if (a) the governing jurisdiction of the bank has in place laws that (i) require such instruments to be written off upon the occurrence of such trigger event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss; (b) a peer group review confirms that the jurisdiction so conforms; and (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to such loss.

Although the Terms and Conditions of the Subordinated Notes do not contain a provision which requires them to be converted into equity or written off on the occurrence of a Non-Viability Event, and although they would not be required to do so pursuant to Spanish law at the date hereof, it is possible that there could be amendments to Spanish law that could result in such Subordinated Notes absorbing losses in the course of any resolution of the Issuer. The application of any such legislation may have an adverse effect on the position of Holders of Subordinated Notes.

Furthermore, there can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the European Union

and/or authorities in Spain may implement the package of reforms, including the terms which capital securities are required to have, in a manner that is different from that which is currently envisaged or may impose more onerous requirements on Spanish banks.

Risks Relating to the Comisario.

Under Spanish law, the Issuer is required to appoint a commissioner (*comisario*) (the "**Commissioner**") in relation to issues of Notes. The Commissioner owes certain obligations to the Syndicate of Noteholders (as described in the Issue and Paying Agency Agreement). However, prospective investors should note that the Commissioner will be an individual appointed by the Issuer and that such individual may also be an employee or officer of the Issuer.

Suitability.

Prospective investors should determine whether an investment in the Notes is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in the Notes and to arrive at their own evaluations of the investment.

There is no active trading market for the Notes.

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

The Notes may be redeemed by the Issuer prior to maturity.

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

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant

Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge their payment obligations under the Notes by making payments to the common depositary or paying agent (in the case of a New Global Note) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

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

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks in relation to early redemption of Subordinated Notes.

With respect to the provisions of the Subordinated Notes, Bank of Spain Circular 3/2008, of 22 May (*Circular 3/2008, de 22 de mayo, del Banco de España*) ("**Circular 3/2008**") contains the following statement:

"Without prejudice to the rights granted by the bankruptcy legislation, contractual clauses cannot contemplate the early redemption of debt due to the non-payment of principal, or other debts of the issuer, or any of the members of its group."

Structured Notes (including Index Linked Notes and Dual Currency Notes).

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of their investment.

Variable rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuer's obligations under Subordinated Notes are subordinated.

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Issuer. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

Payments of principal and interest in respect of Short Term Subordinated Notes may be suspended in certain circumstances.

In the event that there is a shortage in the consolidated own funds of the Issuer as defined in Chapter 3 of Circular 3/2008 the Issuer will be obliged to suspend payments of principal and interest in respect of subordinated Notes having a maturity of not less than two years ("**Short Term Subordinated Notes**").

Risks relating to Credit Linked Notes

Suitability.

Investment in the Credit Linked Notes is only suitable for investors who:

- are particularly knowledgeable in investment matters and have the requisite knowledge and experience in financial and business matters and access to, and knowledge of, appropriate analytical resources to evaluate the information contained in this Base Prospectus and the relevant Final Terms and to evaluate the merits and risks of an investment in the Credit Linked Notes in the context of their financial position and circumstances;

- are capable of bearing the economic risk of an investment in the Credit Linked Notes for an indefinite period of time;
- are acquiring the Credit Linked Notes for their own account for investment, not with a view to resale, distribution or other disposition of the Credit Linked Notes (subject to any applicable law requiring that the disposition of the investor's property be within its control); and
- recognise that it may not be possible to make any transfer of the Credit Linked Notes for a substantial period of time, if at all, and are aware of the transfer restrictions contained herein.

Before making an investment decision, prospective purchasers should inform themselves about and make a detailed evaluation of the financial condition and affairs and of the creditworthiness of the Issuer, the terms of any Reference Obligation, the creditworthiness of any Reference Entity based upon publicly available information and of the tax, accounting and legal consequences of an investment in the Credit Linked Notes for such investor.

Neither the Issuer nor any party represents that it has had any access to any obligor of any Reference Obligation for the purposes of conducting any such investigation and no such person makes any representations as to the financial condition or creditworthiness of any such Reference Entity. In addition, prospective purchasers should consider the nature and financial position of the Issuer as well as the terms and conditions of the Credit Linked Notes and the other related Programme documents described herein.

Exposure of holders to credit risk on other parties and loss of principal.

The payment of interest and principal under the Credit Linked Notes is dependent upon, *inter alia*, the value, performance and solvency of certain Reference Entities. The Credit Linked Notes expose investors to credit risks in relation to such Reference Entities, as well as that of the Issuer. Early redemption of the Credit Linked Notes may be triggered through certain events which are linked to the performance and creditworthiness of the Reference Obligations.

If so specified in the Final Terms, the Credit Linked Notes may be declared immediately due and payable prior to their scheduled date for redemption following the occurrence of any event of default or other mandatory redemption event.

If so specified in the Final Terms, on any mandatory redemption of the Credit Linked Notes, the net proceeds available to the Issuer may be insufficient to pay all amounts due on redemption to the Noteholders and any claims of the Noteholders remaining after application of proceeds in accordance with the Conditions shall be extinguished. Neither the Issuer nor any obligor under any of the Reference Obligation shall have any obligation to any Holder for payment of any amount owing by the Issuer in respect of the Credit Linked Notes.

Relevant Information.

The Issuer or the relevant Dealer or any of their affiliates may be in possession of information in relation to any Reference Entity that is or may be material in the context of the Credit Linked Notes and that may or may not be publicly available and such parties may be prohibited from disclosing or

using such information for the benefit of the Issuer. Purchase of the Credit Linked Notes by any investor does not create any obligation on the part of the Issuer, the Dealer, the Arranger or any of their affiliates to disclose to such investor any such relationship or information (whether or not confidential) and none of shall be liable to such investor by reason of such non-disclosure.

Limited liquidity.

There may be no active trading market for any of the Credit Linked Notes, and the Credit Linked Notes may be subject to restrictions on transfer.

None of the Issuer, the Dealers, the Arranger or any of their affiliates will be obligated to make a market in the Credit Linked Notes or otherwise to buy and sell the Credit Linked Notes following the issue thereof. The Credit Linked Notes will be owned by a relatively small number of investors and it is highly unlikely that an active secondary market for the Credit Linked Notes will develop. Purchasers of the Credit Linked Notes may find it difficult or uneconomic to liquidate their investment at any particular time, and it may be difficult for the Noteholders to determine the value of the Credit Linked Notes at any particular time. Consequently, a purchaser must be prepared to hold the Credit Linked Notes until maturity.

Early Redemption.

If the Credit Linked Notes are redeemed early according to their terms at times when prevailing interest rates may be relatively low, an investor generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Credit Linked Notes.

No investigations.

No investigations, searches or other enquiries have been made by or on behalf of the Issuer or the Dealers in respect of any Reference Entity and any prospective Noteholders should make their own investigations, searches and enquiries. No representations or warranties have been given by such parties in respect of any Reference Entity or Reference Obligation.

None of the Issuer, the Dealers, the Arranger or any of their affiliates has made or is making any representations whatsoever as to any obligor of the Reference Obligations or the Reference Entities or any information contained in any document filed by any obligor of the Reference Obligations or the Reference Entities with any exchange or with any regulatory authority or governmental entity.

Purchasers of the Credit Linked Notes cannot rely, and will not at any time in the future be able to rely, on the Issuer, the Dealer, the Arranger or any of their affiliates to provide them with any information relating to, or to keep under review on their behalf, the business, financial condition, prospects, creditworthiness, status or affairs of any obligor of the Reference Obligations or any Reference Entity or to conduct any investigation or due diligence with respect to any obligor of the Reference Obligations or any Reference Entity.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (1) an English language translation of the audited consolidated financial statements of the Issuer for the years ended 31 December 2010 and 31 December 2009, together with the auditor's reports thereon;
- (2) an English language translation of the audited consolidated financial statements of the Issuer for the six month period ended 30 June 2011;
- (3) the terms and conditions set out on pages 38 to 117 of the base prospectus dated 26 November 2010 relating to the Programme under the heading "Terms and Conditions of the Notes";
- (4) the terms and conditions set out on pages 35 to 113 of the base prospectus dated 25 November 2009 relating to the Programme under the heading "Terms and Conditions of the Notes"; and
- (5) the terms and conditions set out on pages 33 to 111 of the base prospectus dated 27 November 2008 relating to the Programme under the heading "Terms and Conditions of the Notes".

The tables below set out the relevant page references for the English language balance sheet, income statement, cash-flow statement, explanatory notes and auditor's report of the Issuer for the years ended 31 December 2010 (the "**2010 Financial Statements**") and 31 December 2009 (the "**2009 Financial Statements**"), as set out in the annual reports for the years ended 31 December 2010 and 31 December 2009:

2010 Financial Statements

	Page reference <i>(pdf document page numbers)</i>
Consolidated Balance Sheets	3
Consolidated Income Statements	4
Consolidated Cash-flow Statements	8
Notes to Consolidated Financial Statements	9-144
Auditor's report	1

2009 Financial Statements

	Page reference <i>(pdf document page numbers)</i>
Consolidated Balance Sheets	3
Consolidated Income Statements	4
Consolidated Cash-flow Statements	8
Notes to Consolidated Financial Statements	9-170
Auditor's report	1

The table below sets out the relevant page references for the English language balance sheet, income statement, statement of recognised income and expense, cash-flow statement and explanatory notes and auditor's report of the Issuer for the six months ended 30 June 2011 (the "**2011 interim Financial Statements**"), as set out in the audited financial reports for the 6 months ended 30 June 2010:

2011 interim Financial Statements	Page reference <i>(pdf document page numbers)</i>
Condensed consolidated Balance Sheets	3
Condensed consolidated Income Statements	4
Condensed consolidated Cash-flow Statements	8
Notes to Consolidated Financial Statements	9-27
Auditor's report	2

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the specified offices of the Issuer, the Issue and Paying Agent and the Luxembourg Listing Agent, the initial specified offices of which are set out below. Copies of such documents are also available for inspection at *www.bourse.lu*.

Any information not listed in the cross reference tables set out above but which is included in the documents from which the information incorporated by reference has been derived, is either not relevant or covered elsewhere in this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

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

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

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Issue and Paying Agent; and
- (ii) receipt by the Issue and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"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."

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used for the general corporate purposes of the Issuer.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

Introduction

The Notes of each Tranche will be constituted by virtue of a public deed of issuance (the "**Public Deed of Issuance**") to be executed before a Spanish notary public and to be registered with the Mercantile Registry of Madrid on or prior to the issue date, and which shall contain, among other information, the terms and conditions of the Notes. The Notes will be issued in accordance with an amended and restated issue and paying agency agreement (the "**Issue and Paying Agency Agreement**", which expression shall include any amendments or supplements thereto) dated 18 November 2011 and made between Santander Consumer Finance, S.A. (the "**Issuer**"), Citibank, N.A., London Branch in its capacities as issue and paying agent (the "**Issue and Paying Agent**" which expressions shall include any successor to Citibank, N.A., London Branch, in its capacities as such), Dexia Banque Internationale à Luxembourg, société anonyme in its capacity as Listing Agent (the "**Listing Agent**", which expression shall include any successor to Dexia Banque Internationale à Luxembourg, société anonyme in its capacity as such) and the paying agents named therein (the "**Paying Agents**", which expression shall include the Issue and Paying Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Notes (as defined below), the Issuer may appoint a Determination Agent (as defined under Condition 5D.03) for the purposes of such Notes, in accordance with the provisions of the Issue and Paying Agency Agreement, and such Determination Agent shall be specified in the applicable Final Terms. The Issuer has executed and delivered a deed of covenant dated 18 November 2011 (the "**Deed of Covenant**"). Copies of the Issue and Paying Agency Agreement and the Deed of Covenant are, or will be, available for inspection during normal business hours at the specified office of each of the Paying Agents and the Listing Agent. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Notes. Each Tranche will be the subject of a Final Terms (each, a "**Final Terms**"), a copy of which will be available for inspection during normal business hours at the specified office of the Issue and Paying Agent and/or the Listing Agent (as defined above), as the case may be, and, in the case of a Tranche of Notes listed on the Regulated Market of the Luxembourg Stock Exchange and if the rules of such market so require, shall be obtainable at the specified office of the Paying Agent in Luxembourg. In the case of a Tranche of Notes in relation to which application has not been made for admission for listing on any listing

authority, stock exchange and/or quotation system, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, an Accountholder (as defined in the Deed of Covenant) in respect of, such Notes.

References in these Terms and Conditions to "**Notes**" are to Notes of the relevant Series and any references to "**Coupons**" (as defined in Condition 1.05) and "**Receipts**" (as defined in Condition 1.06) are to Coupons and Receipts relating to Notes of the relevant Series.

References in these Terms and Conditions to the "**Final Terms**" are to the Final Terms or Final Terms(s) prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Notes, references herein to these "**Terms and Conditions**" are to these terms and conditions as modified or (to the extent thereof) replaced by the Final Terms.

1. **Form and Denomination**

1.01 Notes are issued in bearer form ("**Bearer Notes**") and are serially numbered.

1.02 Each Tranche of Notes will be represented upon issue by a temporary global note (a "**Temporary Global Note**") in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. On or after the date (the "**Exchange Date**") which is forty days after the completion of the distribution of the Notes of the relevant Tranche and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing systems) has been received, interests in the Temporary Global Note may be exchanged for:

- (i) interests in a permanent global note (a "**Permanent Global Note**") representing the Notes of that Tranche and in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement; or
- (ii) if so specified in the relevant Final Terms, serially numbered definitive Notes ("**Definitive Notes**").

1.03 If any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing systems) has been received by Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Note will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

1.04 Interests in a Permanent Global Note will be exchanged by the Issuer in whole (but not in part), at the option of the Holder of such Permanent Global Note, for serially numbered Definitive Notes, (a) if any Note of the relevant Series becomes due and repayable following

an Event of Default (as defined herein); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so or announces its intention to withdraw its acceptance of the Notes for clearance and settlement through its system or in fact does so; or (c) if so specified in the Final Terms, at the option of the Holder of such Permanent Global Note upon such Holder's request, in all cases at the cost and expense of the Issuer, unless otherwise specified in the relevant Final Terms. In order to exercise the option contained in part (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Notes is required, deposit the relevant Permanent Global Note with the Issue and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Notes and such default is continuing at 6.00 p.m. (Luxembourg time) on the thirtieth day after the day on which the relevant notice period expires or, as the case may be, such Permanent Global Note becomes so exchangeable, such Permanent Global Note will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

- 1.05 Definitive Notes will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Definitive Notes will also, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.
- 1.06 Bearer Notes, the principal amount of which is repayable by instalments ("**Instalment Notes**") have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

Denomination Notes

- 1.07 Bearer Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Notes of one denomination will not be exchangeable, after their initial delivery, for Bearer Notes of any other denominations. No Notes may be issued under the Programme which have a minimum denomination of less than €1,000 (or equivalent in another currency).

Currency of Notes

- 1.08 Notes may be denominated in any currency, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- 1.09 For the purposes of these Terms and Conditions, references to Notes shall, as the context may require, be deemed to be to Temporary Global Notes, Permanent Global Notes or Definitive Notes.

2. **Title**

- 2.01 Title to Notes and Coupons passes by delivery. References herein to the "**Holders**" of Notes or of Coupons, or "**Noteholders**", are to the bearers of such Notes or such Coupons (as applicable).
- 2.02 The Holder of any Note or Coupon will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

3. **Status of the Notes**

Status of Senior Notes

- 3.01 The Senior Notes (being those Notes which specify their status as Senior) and the Receipts and Coupons relating to them, constitute direct, unconditional, unsubordinated and (without prejudice to the provisions of Condition 4) unsecured obligations of the Issuer and upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to article 92 of Law 22/2003 (*Ley Concursal*) of 9 July 2003 (the "**Insolvency Law**") or equivalent legal provisions which replace it in the future, and subject to any applicable legal and statutory exceptions) rank *pari passu* and rateably without any preference among themselves and at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer. Claims relating to the Senior Notes will be ordinary credits (*creditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (*creditos contra la masa*) and credits with privilege (*creditos privilegiados*). Ordinary credits rank above subordinated credits and the rights of shareholders. Accrued and unpaid interests due in respect of the Senior Notes at the commencement of an insolvency proceeding (*concurso*) of the Issuer will qualify as subordinated credits.

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

Status of Subordinated Notes

- 3.02 **Status of Subordinated Notes:** The Subordinated Notes (being Notes which specify their status as Subordinated) constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and, upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and

statutory exceptions) rank without preference or priority among themselves together with all other subordinated obligations of the Issuer other than those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law, and subordinated obligations which are expressed to rank junior to the Subordinated Notes.

By purchasing the Subordinated Notes, holders of any Subordinated Notes expressly waive any preference or priority that may be conferred upon them by any existing or future law over the holders of any other Subordinated Notes and any other subordinated debt securities issued by the Issuer (the "**Subordinated Securities**"), so that no Subordinated Notes shall rank in any circumstances ahead of any other Subordinated Notes and any Subordinated Securities (provided, however, that no such waiver shall apply in respect of any other Subordinated Notes and Subordinated Securities which are subordinated by operation of Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law or which are expressed to rank junior to the Subordinated Notes or other Subordinated Securities).

4. **Negative Pledge**

- (a) So long as any of the Senior Notes, Receipts or Coupons remain outstanding (as defined in the Issue and Paying Agency Agreement) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its present or future assets, undertakings or revenues as security for any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes, Receipts and Coupons (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by a resolution of the relevant Syndicate of Holders of the Senior Notes.
- (b) For the purposes of this Condition, "**Relevant Debt**" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt or traded in any listing authority, stock exchange, quotation system, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue.
- (c) Nothing in this Condition 4 shall prevent the Issuer from creating or having outstanding any mortgage, lien (other than a lien arising by operation of law), pledge, charge or other security interest (for purposes of this Condition, each a "**Security**") upon, or with respect to, any of its present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice in Spain (where applicable) and whereby the Relevant Debt (or any guarantee or other obligation in respect of any Relevant Debt) secured by such Security or

having the benefit of such secured guarantee or other obligation is limited to the value of such assets or revenues.

5. **Interest**

Notes will be interest-bearing. The Final Terms in relation to each Tranche of Notes shall specify which of Condition 5A, 5B and/or 5C shall be applicable and Condition 5D will be applicable to each Tranche of Notes as specified therein save, in each case, to the extent inconsistent with the relevant Final Terms. In relation to any Tranche of Notes, the relevant Final Terms may specify actual amounts of interest payable rather than, or in addition to, a rate or rates at which interest accrues.

5A **Interest — Fixed Rate**

Notes in relation to which this Condition 5A is specified in the relevant Final Terms as being applicable shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) specified in the relevant Final Terms. Such interest will be payable in arrear on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof. Interest in respect of a period of less than one year will be calculated on such basis as may be specified in the relevant Final Terms.

5B **Interest — Floating Rate Notes and Index-Linked Interest Note Provisions**

5B.01 Notes in relation to which this Condition 5B is specified in the relevant Final Terms as being applicable, shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) determined in accordance with this Condition 5B. Condition 5D.01 shall apply to Notes to which this Condition 5B applies.

5B.02 Such Notes shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms. Such interest will be payable in arrear on each Interest Payment Date (as defined in Condition 5D.01) and on the maturity date.

5B.03 **Screen Rate Determination**

If "**Screen Rate Determination**" is specified in the relevant Final Terms it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. For these purposes, "**Reuters Screen**" means, when used in connection with any designated page and any Floating Rate option, the display page so designated on the Reuters service or any successor display page (or such other services or service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto). The rate of interest (the "**Rate of Interest**") applicable to such Notes for

each Interest Period shall be determined by the Determination Agent (as defined in Condition 5D.03) on the following basis:

- (i) the Determination Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period (as defined in Condition 5D.01) on the Relevant Screen Page as of 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the second London Banking Day or, in the case of Notes denominated in Euro, on the second TARGET Business Day, before (or, in the case of Notes in another currency if so specified in the relevant Final Terms, on) the first day of the relevant Interest Period (the "**Interest Determination Date**");
- (ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Determination Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market or, where the basis for calculating the Rate of Interest is EURIBOR, in the Euro-zone interbank market, selected by the Determination Agent, at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date to prime banks in the London interbank market or, where the basis for calculating the Rate of Interest is EURIBOR, in the Euro-zone interbank market for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (iv) if fewer than two rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (as defined in Condition 10B.02) (or, in the case of Notes denominated in Euro, in such financial centre or centres as the Determination Agent may select) selected by the Determination Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Rate of Interest applicable to such Notes during each Interest Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of rates) so determined; **provided, however, that**, if the Determination Agent is unable to determine a rate (or, as the case may be, an arithmetic mean (rounded as aforesaid) of rates) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Notes during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of rates) determined in relation to such Notes in respect of the last preceding Interest Period; **provided always that** if there is specified in the relevant Final Terms a minimum interest rate or a maximum interest rate then the Rate of Interest shall in no event be less than or, as the case may be, exceed it. For the purposes of these Terms and Conditions "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

5B.04 **ISDA Determination**

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the 2006 Definitions of the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") (as amended and updated as at the date specified in the relevant Final Terms)) that would be determined by the Determination Agent under an interest rate swap transaction if the Determination Agent were acting as Determination Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

5B.05 **Index-Linked Interest**

If the Index-Linked Interest Notes Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each

Interest Period will be determined in the manner specified in the relevant Final Terms.

5B.06 Determination of Rates

The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the principal amount of the smallest or minimum denomination of such Notes specified in the relevant Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by a fraction (day count fraction) the numerator of which is the actual number of days in the Interest Period concerned and the denominator for which is 360 (or, in the case of Notes denominated in Pounds Sterling, 365 or, when all or part of an Interest Period falls in a leap year, 366 for that proportion of the Interest Period so falling) or by such other day count fraction as may be specified in the relevant Final Terms and rounding the resulting figure to the nearest sub-unit of the currency in which such Notes are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

5C Interest — Other Rates

Notes in relation to which this Condition 5C is specified in the relevant Final Terms as being applicable shall bear interest at the rate or rates calculated on the basis specified in, and be payable in the amounts and in the manner determined in accordance with, the relevant Final Terms.

5D Interest — Supplemental Provision

Interest Payment Date Conventions and other Calculations

5D.01

(a) Business Day Convention

The Final Terms in relation to each Series of Notes in relation to which this Condition 5D.01 is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

- (i) the "**FRN Convention**", in which case interest shall be payable in arrear on each date (each an "**Interest Payment Date**") which numerically corresponds to their date of issue or such other date as may be specified in the relevant Final Terms or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Final Terms after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred *provided that*:

- (a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined in Condition 10B.02) in that calendar month;
 - (b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;
- (ii) the "**Modified Following Business Day Convention**", in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms Provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day;
 - (iii) the "**Following Business Day Convention**" in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms Provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day;
 - (iv) "**No Adjustment**" in which case the relevant date shall not be adjusted in accordance with any Business Day Convention; or
 - (v) such other convention as may be specified in the relevant Final Terms.

- (b) **"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), such day count fraction as may be specified in the Final Terms and:
- (i) if "**Actual/Actual**", "**Actual/Actual (ISDA)**", "**Act/Act**" or "**Act/Act (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
 - (ii) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is so specified, means the actual number of days in the Calculation Period divided by 365;
 - (iii) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is so specified, means a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "**ICMA Rule Book**"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non U.S. Dollar denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period;
 - (iv) if "**Actual/360**", "**Act/360**" or "**A/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
 - (v) if "**30/360**" "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

Each period beginning on (and including) such date of issue or such other date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Notification of Rates of Interest, Interest Amounts and Interest Payment Dates

5D.02 The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Issue and Paying Agent. The Issue and Paying Agent will cause all such determination or calculations to be notified to the other Paying Agents (from whose respective specified offices such information will be available) and to the Holders in accordance with Condition 15 as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or, if earlier, in the case of notification to any listing authority, stock exchange and/or quotation system, the time required by the rules of any such listing authority, stock exchange and/or quotation system. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 5D.02.

5D.03 The determination by the Determination Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties.

"Determination Agent" means the Issue and Paying Agent or such other person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms.

Accrual of Interest

- 5D.04 Interest shall accrue on the principal amount of each Note or, in the case of an Instalment Note, on each instalment of principal, on the paid up principal amount of such Note or otherwise as indicated in the Final Terms from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation or surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Notes or such other rate as may be specified in the relevant Final Terms (the **"Default Rate"**) until the earlier of (i) the date on which, upon due presentation of the relevant Note (if required), the relevant payment is made or (ii) (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) the seventh day after the date on which notice is given to the Holders in accordance with Condition 15 that the Issue and Paying Agent has received the funds required to make such payment (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Temporary suspension to payments of Principal and Interest (Short Term Subordinated Notes)

- 5D.05 In the event of a shortage in the consolidated own funds of the Issuer (as defined in Chapter 3 of Circular 3/2008, of 22 May (*Circular 3/2008, de 22 de mayo, del Banco de España*)) the Issuer will be obliged to suspend payments of principal and interest in respect of Subordinated Notes with a maturity of not less than two years (**"Short Term Subordinated Notes"**). Following an increase in the consolidated own funds of the Issuer so that there is no longer a shortage of such funds, the Issuer must give the Bank of Spain (*Banco de España*) one month's notice prior to payment of any interest or principal.

6. Credit Linked Notes

If the Notes are specified as Credit Linked Notes in the applicable Final Terms then the provisions of this Condition 6 apply as modified by the applicable Final Terms.

(a) *Redemption of Credit Linked Notes*

Unless previously redeemed or purchased and cancelled and subject to Conditions to Settlement (as described below) being satisfied during the Notice Delivery Period, each nominal amount of Notes equal to the lowest Specified Denomination set out in the applicable Final Terms will be redeemed by the Issuer at its Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

If Conditions to Settlement are satisfied during the Notice Delivery Period then (i) if Cash Settlement is specified in the applicable Final Terms, the provisions of Condition 6(b) shall apply or (ii) if Physical Delivery is specified in the applicable Final Terms, the provisions of Condition 6(c) shall apply.

(b) *Cash Settlement*

If Cash Settlement is specified in the applicable Final Terms and Conditions to Settlement are specified during the Notice Delivery Period (such date of satisfaction, the "**Credit Event Determination Date**"), the Issuer shall give notice (such notice a "**Settlement Notice**") to the Holders in accordance with Condition 15 and redeem all (but not some only) of the Notes, each nominal amount of Notes equal to the lowest Specified Denomination being redeemed by the Issuer at the Credit Event Redemption Amount specified in, or determined in the manner specified in the applicable Final Terms in the relevant Specified Currency on the Credit Event Redemption Date.

If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 6(b), upon payment of the Credit Event Redemption Amounts in respect of the Notes the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the lowest Specified Denomination of a Note. Any shortfall shall be borne by the Holders and no liability shall attach to the Issuer.

(c) *Physical Settlement*

If Physical Delivery is specified in the applicable Final Terms and Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction, the "**Credit Event Determination Date**"), the Issuer shall give notice (such notice a "**Notice of Physical Settlement**") to the Holders in accordance with Condition 15 and redeem all but not some only of the Notes, each nominal amount of Notes equal to the lowest Specified Denomination being redeemed by the Issuer by Delivery of the Deliverable Obligations comprising the Asset Amount, subject to and in accordance with Conditions 6(g) and (h).

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

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

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

If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 6(c), upon Delivery of the Deliverable Obligations Deliverable and/or payment of the Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Cash Settlement Amount may be less than the Specified Denomination of a Note. Any shortfall shall be borne by the Holders and no liability shall attach to the Issuer.

(d) *Repudiation/Moratorium Extension*

Where Repudiation/Moratorium is specified as a Credit Event in the applicable Final Terms, the provisions of this Condition 6(d) shall apply.

Where Conditions to Settlement have not been specified on or prior to the Scheduled Termination Date but the Repudiation/Moratorium Extension Condition has been specified on or prior to the Scheduled Termination Date or, if Condition 6(f)(y) applies, the Postponed Maturity Date and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium will, in the sole determination of the Calculation Agent, fall after the Scheduled Termination Date, then the Calculation Agent shall notify the Holders in accordance with Condition 15 that a Potential Repudiation/Moratorium has occurred and:

- (i) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
 - (A) each nominal amount of Notes equal to the lowest Specified Denomination will be redeemed by the Issuer at the Redemption Amount on the fifth Business Day following the Repudiation/ Moratorium Evaluation Date; and
 - (B) the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Termination Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Repudiation/Moratorium Evaluation Date and no further or other amount in

respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and

- (ii) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and Conditions to Settlement are satisfied in the Notice Delivery Period, the provisions of Condition 6(b) or Condition 6(c), as applicable, shall apply to the Notes

The Luxembourg Stock Exchange will be notified in respect of any such postponement of the Maturity Date pursuant to this Condition 6(d).

(e) *Grace Period Extension*

If "Grace Period Extension" is specified as applying in the applicable Final Terms, the provisions of this Condition 6(e) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Termination Date but a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Termination Date (and such Grace Period(s) is/are continuing as at the Scheduled Termination Date), then:

- (i) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
 - (A) each nominal amount of Notes equal to the lowest Specified Denomination will be redeemed by the Issuer at the Redemption Amount on the fifth Business Day following the Grace Period Extension Date; and
 - (B) the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Termination Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (ii) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied in the Notice Delivery Period, the provisions of Condition 6(b) or Condition 6(c), as applicable, shall apply to the Notes.

The Luxembourg Stock Exchange will be notified in respect of such postponement of the Maturity Date pursuant to this Condition 6(e).

(f) *Maturity Date Extension*

If:

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

the Calculation Agent may notify the Holders in accordance with Condition 15 that the Scheduled Maturity Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case maybe, has been postponed to a date (such date the "**Postponed Maturity Date**") specified in such notice falling 14 calendar days after the Scheduled Termination Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, and

where:

- (i) in the case of Condition 6(f)(x), Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date or, in the case of Condition 6(f)(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Maturity Date:
 - (A) subject as provided below, each nominal amount of Notes equal to the lowest Specified Denomination will be redeemed by the Issuer at the Redemption Amount on the fifth Business Day following the Postponed Maturity Date; and
 - (B) the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Termination Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Postponed Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii) where:
 - (A) in the case of Condition 6(f)(x), Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 6(b) or 6(c) as applicable shall apply to the Notes; or

- (B) in the case of Condition 6(f)(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 6(d) shall apply to the Notes.

The Luxembourg Stock Exchange will be notified in respect of any such postponement of the Maturity Date pursuant to this Condition 6(f).

(g) *Physical Delivery*

- (i) If any Note is to be redeemed by delivery of the Asset Amount(s), in order to obtain delivery of such Asset Amount(s):
 - (A) if such Note is represented by a Global Note, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice; and
 - (B) if such Note is in definitive form, the relevant Noteholder must deliver this Note to any Paying Agent with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, together with a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent.

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

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

An Asset Transfer Notice must:

- (1) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out in the applicable Final Terms;
- (2) in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Noteholder's account with such Notes on or before the Settlement Date;

- (3) include an undertaking to pay all Delivery Expenses and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;
- (4) specify an account to which any amounts payable pursuant to Condition 6(h) or any other cash amounts specified in the applicable Final Terms as being payable are to be paid; and
- (5) authorise the production of such notice in any applicable administrative or legal proceedings.

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

In the case of Notes represented by a Global Note, upon receipt of such notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person specified therein as the Noteholder is the holder of the specified nominal amount of Notes according to its books.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Notes represented by a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder and, in the case of Notes in definitive form, by the relevant Paying Agent after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Delivery of the Asset Amount(s) in respect of each Note shall be made at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Final Terms.

If a Noteholder fails to give an Asset Transfer Notice as provided herein on or prior to the Cut-Off Date specified in the applicable Final Terms, the Issuer will, subject as provided above, deliver the Deliverable Obligations constituting the Asset Amount in respect of the relevant Notes as soon as practicable after the receipt of the duly completed Asset Transfer Notice, *provided that* if, in respect of a Note, a Noteholder fails to give an Asset Transfer Notice prior to the day falling 180 calendar days after the Cut-Off Date, the obligations of the Issuer in respect of such

Holders shall be discharged and the Issuer shall not have any liability in respect thereof.

- (ii) All Delivery Expenses arising from the delivery of the Asset Amount in respect of any Holders shall be for the account of the relevant Noteholder and no delivery of any Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

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

- (iii) In relation to each Deliverable Obligation constituting any Asset Amount, the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation as provided below on the Settlement Date, *provided that* if all or some of the Deliverable Obligations included in the Asset Amount in respect of a Note are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 30th Business Day following the Settlement Date (the "**Final Delivery Date**"), *provided further that* if all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date the provisions of Condition 6(h) shall apply.

(h) *Partial Cash Settlement*

If all or a portion of the Undeliverable Obligations or Hedge Disruption Obligations comprising the Asset Amount in respect of a Note are not Delivered by the Final Delivery Date, the Issuer shall give notice (a "**Cash Settlement Notice**") to the Holders in accordance with Condition 15 and the Issuer shall pay in respect of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, the Cash Settlement Amount on the Cash Settlement Date.

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

Unless otherwise specified in the applicable Final Terms, for the purposes of this Condition 6(h) the following terms shall be defined as follows:

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

"Cash Settlement Date" is deemed to be the date falling three Business Days after the calculation of the Final Price.

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

"Market Value" means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the same highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the applicable Final Terms and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (ii) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if the Quotations are deemed to be zero, the Market Value shall be zero.

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

- (i) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the applicable Final Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.
- (ii) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the applicable Final Terms, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
- (iii) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (iv) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price.

"Quotation Amount" is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent

in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

"Quotation Method" is deemed to be Bid.

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

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

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

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

(i) *Redemption following a Merger Event*

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

(j) *Definitions applicable to Credit Linked Notes*

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

Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

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

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

"Asset Amount" means, in respect of each nominal amount of Holders equal to the lowest Specified Denomination, Deliverable Obligations, as selected by the Calculation Agent in its sole and absolute discretion, with:

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

(or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the lowest Specified Denomination less, if Unwind Costs are specified as applying in the applicable Final Terms, Deliverable Obligations with a market value determined by the Calculation Agent in its sole and absolute discretion on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to Unwind Costs.

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

"Asset Transfer Notice" means a duly completed asset transfer notice substantially in the form set out in the Issue and Paying Agency Agreement.

"Bankruptcy" means when a Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy, the entry of an order for relief, or the making of an order for its winding-up or liquidation, or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof or before the Scheduled Termination Date, whichever is earlier;
- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter or before the Scheduled Termination Date, whichever is earlier; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

"Best Available Information" means:

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

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

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

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

For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the

Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

"Conditions to Settlement" means the delivery by the Calculation Agent to the Issuer of a Credit Event Notice that is effective and if notice of Publicly Available Information is specified as applying in the applicable Final Terms, a Notice of Publicly Available Information, that is effective, in each case, during the Notice Delivery Period.

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

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

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

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

"Credit Event Notice" means an irrevocable notice from the Calculation Agent (which may be by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred at or after 12:01 a.m. Greenwich Mean Time on the Trade Date and at or prior to 11:59 p.m., Greenwich Mean Time, on the latest of:

- (a) the Scheduled Termination Date;
- (b) where "**Grace Period Extension**" is specified as applying in the applicable Final Terms, the Grace Period Extension Date if (i) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurs after the Scheduled Termination Date; and (ii) the Potential Failure to Pay with respect to such Failure to Pay occurs at or prior to 11:59 p.m., Greenwich Mean Time, on the Scheduled Termination Date; or
- (c) the Repudiation/Moratorium Evaluation Date if:
 - (i) the Credit Event that is the subject of the Credit Event Notice is a Repudiation/Moratorium that occurs after the Scheduled Termination Date;
 - (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs at or prior to 11:59 p.m., Greenwich Mean Time, on the Scheduled Termination Date; and
 - (iii) the Repudiation/Moratorium Extension Condition is satisfied.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall be subject to the requirements regarding notices set out in Condition 6(o).

"**Credit Event Redemption Amount**" means the amount specified as such in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

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

where:

"A" is the lowest Specified Denomination;

"B" is the Final Price; and

"C" is Unwind Costs,

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

"**Credit Event Redemption Date**" means the day falling the number of Business Days specified in the applicable Final Terms after the calculation of the Final Price.

"**Currency Amount**" means, whenever an amount is denominated in a currency other than the Settlement Currency and is specified to be determined by reference to a Currency Amount, such amount converted to the relevant Settlement Currency using the Currency Rate.

"Currency Rate" means:

- (a) the rate determined by the Calculation Agent equal to the rate of conversion of the currency of the Deliverable Obligation into the Settlement Currency by reference to:
 - (i) if the Settlement Currency is U.S. Dollars, the Federal Reserve Bank of New York 10:00 a.m. (New York time) mid point rate as displayed on Reuters page FEDSPOT on the date that the Notice of Physical Settlement is deemed given, or in such other commercially reasonable manner as it shall determine; or
 - (ii) if the Settlement Currency is euro, the MEAN price as displayed on Reuters Page EUROFX/1 as of 12:00 p.m. (London time) on the date that the Notice of Physical Settlement is deemed given, or in such other commercially reasonable manner as it shall determine; or
- (b) if the Settlement Currency is not U.S Dollars or euro, the rate determined by the Calculation Agent in its sole and absolute discretion in a commercially reasonable manner.

"Default Requirement" means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Default Requirement is not specified in the applicable Final Terms, USD10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

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

"Deliverable Obligation" means, subject as provided in Condition 6(c):

- (a) any obligation of a Reference Entity (either directly, as provider of a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the

applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "(A) *Method for Determining Deliverable Obligations*" below (but excluding any Excluded Deliverable Obligation specified in the applicable Final Terms) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defense (other than a counterclaim or defense based on the factors set forth in paragraphs (a) to (d) of the definition of "*Credit Event*" above)) or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor, and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

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

(A) *Method for Determining Deliverable Obligations.*

For the purposes of this definition of "Deliverable Obligation", the term "**Deliverable Obligation**" may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to (B)(3) below, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable

Final Terms, in each case, as of the Delivery Date. The following terms shall have the following meanings:

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

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

- (ii) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (iii) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;
- (iv) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer (to the extent that the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (v) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, *provided that* none of the following shall be considered contractual, statutory or regulatory restrictions:
 - (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or

- (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (vi) "**Maximum Maturity**" means an obligation that has a remaining maturity from the Settlement Date of not greater than the period specified in the applicable Final Terms;
- (vii) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (viii) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system.

(B) *Interpretation of Provisions*

- (1) If the Obligation Characteristic "Listed" is specified in the applicable Final Terms, the Final Terms shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;
- (2) if (i) either of the Deliverable Obligation Characteristics "Listed" or "Not Bearer" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent

Required Loan" or "Direct Loan Participation" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;

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

- (iv) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
- (v) For purposes of the application of the Obligation Characteristics of the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (vi) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in these Terms and Conditions, including without limitation, the definitions of "Cash Settlement Amount" and "Quotation Amount" in Condition 6(h)), when used in connection with Qualifying Guarantees are to be interpreted to be the then "Outstanding Principal Balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

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

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

"Delivery Expenses" means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the Delivery of the Asset Amount.

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

"Downstream Affiliate" means an entity, at the date of the event giving rise to the Credit Event which is the subject of the Credit Event Notice, the Delivery Date or the time of identification of a Substitute Reference Obligation (as applicable), whose outstanding Voting Shares are more than 50

per cent. owned, directly or indirectly, by the Reference Entity. **"Voting Shares"** shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"Due and Payable Amount" means, subject as provided in sub-paragraph (4)(vi) of paragraph (B) (*Interpretation of Provisions*) in the definition of Deliverable Obligation, the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

"Eligible Transferee" means each of the following:

(a)

- (i) any bank or other financial institution;
- (ii) an insurance or reinsurance company;
- (iii) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); or
- (iv) a registered or licensed broker or dealer (other than a natural person or proprietorship),

provided, however, in each case that such entity has total assets of at least U.S.\$500 million;

(b) an Affiliate of an entity specified in the preceding sub-paragraph (a);

(c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:

- (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.\$100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$100 million; or
- (ii) that has total assets of at least U.S.\$500 million; or
- (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in sub-paragraphs (a), (b), (c)(ii) or (d); or

(d) a Sovereign, Sovereign Agency or Supranational Organisation.

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

"Equity Securities" means:

- (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer

of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and

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

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

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

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

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

"Final Price" means the price of the Reference Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the applicable Final Terms or, where applicable, Condition 6(k). The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Holders at the specified office of the Agent and, for so long as the Holders are listed on the Luxembourg Stock Exchange at the office of the Paying Agent in Luxembourg (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

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

"Fully Transferable Obligation" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition of *"Fully Transferable Obligation"*. For purposes of determining whether a Deliverable Obligation satisfies the requirements of this definition of *"Fully Transferable Obligation"*, such determination shall be made as of the Delivery Date for the relevant Deliverable Obligation, taking

into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

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

"Grace Period" means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred;
- (b) if Grace Period Extension is specified as applying in the applicable Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Termination Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Termination Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified in the applicable Final Terms, thirty calendar days; and
- (c) if, at the later of the Trade Date and the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; *provided that*, unless Grace Period Extension is specified as applying in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled Termination Date.

"Grace Period Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the Obligation Currency.

"Grace Period Extension Date" means, if:

- (a) Grace Period Extension is specified as applying in the applicable Final Terms; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Termination Date,

the day falling the number of days in the Grace Period after the date of such Potential Failure to pay.

"Hedge Disruption Event" means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations under the terms of any transaction entered into by the Issuer and/or any such Affiliate to hedge the obligations or position of the Issuer in respect of the Notes.

"Hedge Disruption Obligation" means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

"Intervening Period" means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Asset Amount.

"Market Value" means, with respect to a Reference Obligation on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotation has the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotation has the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date, the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

"Merger Event" means that at any time during the period from (and including) the Trade Date to (but excluding) the Scheduled Termination Date the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, a Reference Entity or the Issuer, as applicable, or the Issuer and a Reference Entity become Affiliates.

"Minimum Quotation Amount" means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) USD1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in an established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to a Deliverable Obligation, the date that is the later of (x) the Scheduled Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Deliverable Obligations.

"Notice Delivery Period" means the period from, and including the Trade Date to, and including, (a) the Scheduled Termination Date; (b) the Grace Period Extension Date if (i) "Grace Period Extension" is specified as applying in the applicable Final Terms, (ii) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurs after the Scheduled Termination Date, and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Termination Date; (c) the Repudiation/Moratorium Evaluation Date if (i) the Credit Event that is the subject of the Credit Event Notice is a Repudiation/Moratorium that occurs after the Scheduled Termination Date, (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Termination Date and (iii) the Repudiation/Moratorium Extension Condition is satisfied; or (d) the Postponed Maturity Date if the Maturity Date is postponed pursuant to Condition 6(f).

"Notice of Publicly Available Information" means an irrevocable notice from the Calculation Agent (which may be by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both sub-clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applying in the applicable Final Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Condition 6(m).

"Obligation" means:

- (a) any obligation of a Reference Entity (either directly, as a provider of a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in *"Method for Determining Obligations"* below (but excluding any Excluded Obligation);
- (b) each Reference Obligation specified in the applicable Final Terms, unless specified as an Excluded Obligation; and

- (c) any Additional Obligation of a Reference Entity specified as such in the applicable Final Terms.

Method for Determining Obligations. For the purposes of paragraph (a) of this definition of "**Obligation**", the term "**Obligation**" may be defined as each obligation of each Reference Entity described by the Obligation Category specified in the applicable Final Terms, and having each of the Obligation Characteristics (if any) specified in the applicable Final Terms, in each case, as of the date of the event which constitutes the Credit Event which is the subject of the Credit Event Notice. The following terms shall have the following meanings:

- (A) "**Obligation Category**" means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Final Terms, where:
 - (1) "**Payment**" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (2) "**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
 - (3) "**Reference Obligations Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (4) "**Bond**" means any obligation of a type included in the "**Borrowed Money**" Obligation Category that is in the form of, or represented by, a bond, note (other than Notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
 - (5) "**Loan**" means any obligation of a type included in the "**Borrowed Money**" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
 - (6) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
- (B) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the applicable Final Terms, where:
 - (1)
 - (a) "**Not Subordinated**" means an obligation that is not Subordinated to the most senior Reference Obligation in priority of payment or, if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the Reference Entity. For purposes of

determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation shall be determined as of the later of (1) the Trade Date specified in the applicable Final Terms and (2) the date on which such Reference Obligation was issued or incurred and shall not reflect any change to such ranking in priority of payment after such later date;

- (b) **"Subordination"** means, with respect to an obligation (the **"Subordinated Obligation"**) and another obligation of the Reference Entity to which such obligation is being compared (the **"Senior Obligation"**), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. **"Subordinated"** will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;
- (2) **"Specified Currency"** means an obligation that is payable in the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is specified in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively in the applicable Final Terms as the **"Standard Specified Currencies"**);
- (3) **"Not Sovereign Lender"** means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as **"Paris Club debt"**;
- (4) **"Not Domestic Currency"** means any obligation that is payable in any currency other than the Domestic Currency;
- (5) **"Not Domestic Law"** means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;

- (6) **"Listed"** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (7) **"Not Domestic Issuance"** means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

"Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Obligation Currency" means the currency or currencies in which the Obligation is denominated.

"Obligation Default" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default, or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Outstanding Principal Balance" means, subject as provided in sub-paragraph (4)(vi) of paragraph (B) (*Interpretation of Provisions*) in the definition of Deliverable Obligation:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof; and
- (b) with respect to any other obligation, the outstanding principal balance of such obligation,

provided that with respect to any Exchangeable Obligation that is not an Accreting Obligation, "Outstanding Principal Balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

"Payment Requirement" means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified in the applicable Final Terms, USD1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Permitted Currency" means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership), or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development and has a local currency long term debt rating of either

AAA or higher assigned to it by Standard & Poor's Credit Market Services Europe Limited or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service España, S.A or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings España, S.A.U or any successor to the rating business thereof.

"Physical Settlement Period" means the number of Business Days specified as such in the applicable Final Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Asset Amount, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

"Potential Failure to Pay" means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Potential Repudiation/Moratorium" means the occurrence of an event described in paragraph (i) of the definition of Repudiation/Moratorium.

"Publicly Available Information" means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
 - (i) has been published in or not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information *provided that*, if either the Calculation Agent or the Issuer or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation;
 - (ii) is information received from or published by (A) a Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation; or
 - (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) of the definition of Bankruptcy against or by a Reference Entity; or
 - (iv) is information contained in any order, decree, notice or filing, however described, of or fled with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

- (b) In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation and (ii) a holder of the Obligation with respect to which a Credit Event has occurred, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to a Reference Entity.
- (c) In relation to any information of the type described in paragraphs (a) (ii), (iii) and (iv) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.
- (d) Publicly Available Information need not state:
 - (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and
 - (ii) that such occurrence:
 - (A) has met the Payment Requirement or Default Requirement;
 - (B) is the result of exceeding any applicable Grace Period; or
 - (C) has met the subjective criteria specified in certain Credit Events.

"Public Source" means each source of Publicly Available Information specified as such in the applicable Final Terms (or if a source is not specified in the applicable Final Terms, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**) and that is not at the time of the Credit Event Subordinated to any unsubordinated Borrowed Money obligation of the Underlying Obligor (with references in the definition of Subordination to the Reference Entity deemed to refer to the Underlying Obligor). Qualifying Guarantees shall exclude any arrangement structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement. The

benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

"Qualifying Participation Seller" means any participation seller that meets the requirements specified in the applicable Final Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller.

"Quotation" means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.
- (b)
 - (i) If "Include Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;
 - (ii) if "Exclude Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
 - (iii) if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, the Calculation Agent shall determine based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (c) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for the purposes of determining the Final Price.

"Quotation Amount" means the amount specified as such in the applicable Final Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the applicable Final Terms, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

"Quotation Dealer" means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained including each Quotation Dealer specified in the applicable Final Terms. If no Quotation Dealers are specified in the applicable Final Terms, the Calculation Agent shall select the Quotation Dealers in its sole and absolute discretion. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

"Quotation Method" means the applicable Quotation Method specified in the applicable Final Terms by reference to one of the following terms:

- (a) **"Bid"** means that only bid quotations shall be requested from Quotation Dealers;
- (b) **"Offer"** means that only offer quotations shall be requested from Quotation Dealers; or
- (c) **"Mid-market"** means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation.

If a Quotation Method is not specified in the applicable Final Terms, Bid shall apply.

"Reference Entity" means the entity or entities specified as such in the applicable Final Terms. Any Successor to a Reference Entity identified pursuant to the definition of **"Successor"** in this Condition 6(j) shall be the Reference Entity for the purposes of the relevant Series.

"Reference Obligation" means each obligation specified or of a type described as such in the applicable Final Terms (if any are so specified or described) and any Substitute Reference Obligation.

"Relevant Obligations" means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

"Representative Amount" means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

"Repudiation/Moratorium" means the occurrence of both of the following events:

- (i) an authorised officer of a Reference Entity or a Governmental Authority:
 - (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or
 - (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"Repudiation/Moratorium Evaluation Date" means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date, (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date), and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium.

"Repudiation/Moratorium Extension Condition" means the delivery of a Repudiation/Moratorium Extension Notice and, if specified as applicable in the applicable Final Terms, Notice of Publicly Available Information by the Calculation Agent to the Issuer that is effective during the period from and including the Trade Date to and including the Scheduled Termination Date or, if Condition 6(f)(y) applies, the Postponed Maturity Date.

"Repudiation/Moratorium Extension Notice" means an irrevocable notice (which may be by telephone) from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or after the Trade Date and on or prior to the Scheduled Termination Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

"Restructuring" means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of the Obligation to bind all the holders of such Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly

provided for under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred:

- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- (iii) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;
- (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (a) the payment in euro of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty on the functioning of the European Union, as amended;
- (b) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (c) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

For purposes of the definition of Restructuring and Condition 6(l), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in the definition of Restructuring and the definition of Subordination shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in the second paragraph of this definition of Restructuring shall continue to refer to the Reference Entity.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which the Restructuring that is the subject of a Credit Event Notice has occurred.

"Restructuring Date" means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means the date that is the earlier of (x) thirty months following the Restructuring Date and (y) the latest final maturity date of any Restructured Bond or Loan, *provided, however, that* under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Scheduled Termination Date or later than thirty months following the Scheduled Termination Date and if it is, it shall be deemed to be the Scheduled Termination Date or thirty months following the Scheduled Termination Date, as the case may be.

"Settlement Currency" means the currency specified as such in the applicable Final Terms, or if no currency is specified in the applicable Final Terms, the Specified Currency of the Holders.

"Settlement Date" means the last day of the longest Physical Settlement Period following the satisfaction of Conditions to Settlement (the **"Scheduled Settlement Date"**) *provided that* if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Settlement Date, the Settlement Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling 60 Business Days following the Scheduled Settlement Date.

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including without limiting the foregoing, the central bank) thereof.

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

"Sovereign Restructured Deliverable Obligation" means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to paragraph (3) of "(B) *Interpretation of Provisions*" in the definition of "Deliverable Obligation", having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

"Specified Number" means the number of Public Source(s) specified in the applicable Final Terms, or if no number is specified in the applicable Final Terms, two.

"Substitute Reference Obligation" means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations in respect of such Reference Entity, identified by the Calculation Agent in accordance with the following procedures:

(a) In the event that:

(i) a Reference Obligation in respect of such Reference Entity is redeemed in whole; or

- (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation in respect of such Reference Entity have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments). (B) any Reference Obligation in respect of such Reference Entity is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation in respect of a Reference Entity is no longer an obligation of such Reference Entity,

the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation in respect of a Reference Entity.

- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (1) ranks *pari passu* (or, if no such Obligation exists, then, at the option of the Issuer an Obligation that ranks senior) in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the later of (A) the Trade Date and (B) the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such later date), (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer, and (3) is an obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.
- (c) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity, in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all such Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each such Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.

- (e) If:
- (i) more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of such Reference Obligations; or
 - (ii) only one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date (if any) and (C) the Repudiation/Moratorium Evaluation Date (if any). If (i) either Cash Settlement is specified in the applicable Final Terms and the Credit Event Redemption Amount is determined by reference to a Reference Obligation, or Physical Delivery is specified in the applicable Final Terms and the Reference Obligation is the only Deliverable Obligation, and (ii) on or prior to the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date, a Substitute Reference Obligation has not been identified, the obligations of the Issuer under the Holders shall cease as of the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date.
- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

"Succession Event" means an event such as a merger, de-merger, consolidation, amalgamation, transfer of assets or liabilities, spin off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include an event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event.

"Successor" means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
 - (i) if one entity directly or indirectly succeeds to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;

- (ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent, (but less than seventy-five per cent) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;
 - (iii) if more than one entity each directly or indirectly succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and these Terms and Conditions and or the applicable Final Terms will be adjusted as provided below;
 - (iv) if one or more entity each directly or indirectly succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;
 - (v) if one or more entities directly or indirectly succeeds to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event;
 - (vi) if one or more entities directly or indirectly succeeds to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and
- (b) in relation to a Sovereign Reference Entity, any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.

In the case of (a) above, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above

have been met, or which entity qualifies under (a)(vi) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Noteholder(s) at the specified office of the Agent and, for so long as the Holders are listed on the Luxembourg Stock Exchange, at the office of the Paying Agent in Luxembourg.

Where pursuant to paragraph (a)(iii) or (a)(iv) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Terms and Conditions and/or the applicable Final Terms as it in its sole and absolute discretion acting in a commercially reasonable manner shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of these Terms and Conditions and/or the applicable Final Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Holders under the provisions of the 2003 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Holders in accordance with Condition 15, stating the adjustment to these Terms and Conditions and/or the applicable Final Terms and giving brief details of the relevant Succession Event.

For the purposes of this definition of "Successor", "succeed" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement, or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to paragraph (a) of this definition of "Successor" shall be made, in the case of an exchange offer, on the basis of the Outstanding Principal Balance of Relevant Obligations tendered in the exchange and not on the basis of the Outstanding Principal Balance of Bonds for which Relevant Obligations have been exchanged.

Where:

- (A) a Reference Obligation is specified in the applicable Final Terms; and
- (B) one or more Successors to the Reference Entity have been identified; and
- (C) any one or more such Successors have not assumed the Reference Obligation,

a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" above.

"Supranational Organisation" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns, and includes, without limiting, the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

"Trade Date" means the date specified as such in the applicable Final Terms.

"Undeliverable Obligation" means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans) it is impossible or illegal to Deliver on the Settlement Date.

"Unwind Costs" means the amount specified in the applicable Final Terms or if **"Standard Unwind Costs"** are specified in the applicable Final Terms, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Holders and the related termination settlement or re-establishment of any hedge or related trading position, such amount to be apportioned pro rata amongst each nominal amount of Holders in the lowest Specified Denomination.

"Valuation Date" means (a) where Physical Delivery is specified as applying in the applicable Final Terms the day falling three Business Days after the Final Delivery Date, or (b) where Cash Settlement is specified as applying in the applicable Final Terms, if **"Single Valuation Date"** is specified in the applicable Final Terms, the date that is the number of Business Days specified in the Final Terms after the Credit Event Determination Date or, if the number of Business Days is not so specified, five Business Days after the Credit Event Determination Date, and if **"Multiple Valuation Dates"** is specified in the applicable Final Terms, each of the following dates:

- (i) the date that is the number of Business Days specified in the applicable Final Terms after the Credit Event Determination Date (or, if the number of Business Days is not specified, five Business Days); and
- (ii) each successive date that is the number of Business Days specified in the applicable Final Terms (or if the number of Business Days is not so specified, five Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When **"Multiple Valuation Dates"** is specified in the applicable Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the applicable Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the applicable Final Terms, Single Valuation Date shall apply.

"Valuation Method":

- (a) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and only one Valuation Date:
- (i) **"Market"** means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
 - (ii) **"Highest"** means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Highest.

- (b) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and more than one Valuation Date:
- (i) **"Average Market"** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
 - (ii) **"Highest"** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
 - (iii) **"Average Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Highest.

- (c) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and only one Valuation Date:
- (i) **"Blended Market"** means the unweighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date; or
 - (ii) **"Blended Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Blended Highest.

- (d) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and more than one Valuation Date:
- (i) **"Average Blended Market"** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market

Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or

- (ii) **"Average Blended Highest"** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Blended Highest.

- (e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

"Valuation Time" means the time specified as such in the applicable Final Terms or, if no time is so specified, 11:00 am in the principal trading market for the Reference Obligation

"Weighted Average Quotation" means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance of as large a size as available, but less than the Quotation Amount (but, if a Minimum Quotation Amount is specified in the applicable Final Terms, of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount), that in aggregate are approximately equal to the Quotation Amount.

- (k) *Credit Event Notice after Restructuring Credit Event*

If Condition 6(k) is specified as applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in these Terms and Conditions, upon the occurrence of a Restructuring Credit Event during the Notice Delivery Period:

- (a) the Calculation Agent may deliver a Credit Event Notice in respect of an amount (the **"Partial Redemption Amount"**) that is less than the principal amount outstanding of each Note immediately prior to the delivery of such Credit Event Notice. In such circumstances the provisions of Condition 6 shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (i) the principal amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the principal amount outstanding of such Note as provided in Condition 5 (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate), (ii) the provisions of Condition 6 shall apply to such principal amount outstanding of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring

Credit Event, and (iii) once a Credit Event Notice with respect to a Restructuring Credit Event has been delivered in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the Restructuring Credit Event.

- (c) If the provisions of this Condition 6(k) apply in respect of the Holders, on redemption of part of each such Note the relevant Note or, if the Holders are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.

(l) *Provisions relating to Multiple Holder Obligation*

If Condition 6(l) is specified as applicable in the applicable Final Terms, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in subparagraphs (i) to (v) of the definition of "Restructuring" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

"Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event.

(m) *Provisions taken from the ISDA supplement titled "Additional Provisions — Monoline Insurer as Reference Entity (May 2003)"*

If Condition 6(m) is specified as applicable in the applicable Final Terms, the following provisions will apply:

(a) *Obligation and Deliverable Obligation.*

Paragraph (a) of the definition of "Obligation" in Condition 6(j) and paragraph (a) of the definition of "Deliverable Obligation" in Condition 6(j) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee".

(b) *Interpretation of Provisions.*

In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, paragraph (B) of the definition of "Deliverable Obligation" in Condition 6(j) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Note and the Insured Obligor, respectively, except that:

- (i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include

distributions payable under an Insured Note in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Note, and the terms "obligation" and "obligor" as used in this Condition 6 in respect of such an Insured Note shall be construed accordingly;

- (ii) references in the definitions of Assignable Loan and Consent Required Loan to "the guarantor" and "guaranteeing" shall be deemed to include "the insurer" and "insuring", respectively;
- (iii) neither the Qualifying Policy nor the Insured Note must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;
- (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Note, the Qualifying Policy must be transferable at least to the same extent as the Insured Note; and
- (v) with respect to an Insured Note in the form of a pass-through certificate or similar funded beneficial interest, the term "Outstanding Principal Balance" shall mean the outstanding Certificate Balance and "maturity", as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

(c) *Not Contingent.*

An Insured Note will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Note is subject to provisions limiting recourse in respect of such Insured Note to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Note Payments owing under such Insured Note, *provided that* such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Note Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 6(m) is applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies

(d) *Deliver.*

For the purposes of the definition of "Deliver" in Condition 6(j), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Note and the

benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Note and the related Qualifying Policy), and "Delivery" and "Delivered" will be construed accordingly.

(e) *Provisions for Determining a Successor.*

The paragraph commencing "For the purposes of this definition of "Successor"" in the definition of "Successor" in Condition 6(j) is hereby amended by adding "or insurer" after "or guarantor".

(f) *Substitute Reference Obligation.*

The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in Condition 6(j) is hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee". For purposes of sub-paragraph (a)(ii)(B) the definition of "Substitute Reference Obligation" references to "the Qualifying Guarantee" and the "Underlying Obligation" shall be deemed to include "the Qualifying Policy" and "the Insured Note", respectively.

(g) *Other Provisions.*

For purposes of sub-paragraph (a)(ii) of the definition of "Deliverable Obligation" and the definitions of "Credit Event" and "Deliver" in Condition 6(j) references to "the Underlying Obligation" and "the Underlying Obligor" shall be deemed to include "Insured Notes" and the "Insured Obligor", respectively.

(h) *Additional Definitions.*

"Qualifying Policy" means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Note Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 6(m)) (the **"Insured Note"**) for which another party (including a special purpose entity or trust) is the obligor (the **"Insured Obligor"**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Note Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Note.

"Note Payments" means (A) in the case of any Insured Note that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date; and (B) in the case of any other Insured Note, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition

6(m)(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

"**Certificate Balance**" means, in the case of an Insured Note that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

(n) *Supplement to provisions relating to Qualifying Guarantee and Underlying Obligation*

(a) If this Condition 6(n) is specified as applicable in the applicable Final Terms, Condition 6(j) shall be amended by:

(i) the deletion of the definition of "Downstream Affiliate" and the substitution of the following therefor:

"**Downstream Affiliate**" means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity";

(ii) the deletion of paragraphs (B)(4)(ii) and (B)(4)(iii) of the definition of "Deliverable Obligation", the substitution of the following therefor and the re-numbering of the remaining paragraphs accordingly:

"(ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law"; and

(iii) the deletion of the definition of "Qualifying Guarantee" and the substitution of the following therefor;

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**") Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the

terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation"; and

- (b) Condition 6(l) shall be amended by the insertion of the following at the end of the first paragraph thereof:

"*provided that* any Obligation that is a Bond shall be deemed to satisfy the requirement in (ii) of the definition of "*Multiple Holder Obligation*" below".

- (o) *Calculation Agent and Calculation Agent Notices*

Whenever the Calculation Agent is required to act or exercise judgment, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable after making any determination pursuant to this Condition 6, notify the Issuer and the Holders of such determination. The Calculation Agent is not acting as a fiduciary for or as an advisor to the Holders in respect of its duties as Calculation Agent in connection with any Holders.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 6 shall (in the absence of manifest error) be final and binding on the Issuer and the Holders. In performing its duties pursuant to the Holders, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Holders, including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and neither of the Calculation Agent nor the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

In relation to the delivery by the Calculation Agent to the Issuer of any notice pursuant to this Condition 6, a notice delivered on or prior to 4:00 pm (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day or on a day which is not a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within

one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

7. **Redemption and Purchase**

Redemption at Maturity

- 7.01 Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the "**Maturity Redemption Amount**") (which shall be its principal amount or such other Maturity Redemption Amount as may be specified in or determined in accordance with the relevant Final Terms) (or, in the case of Instalment Notes, in such number of instalments and in such amounts as may be specified in the relevant Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms. Subordinated Notes (other than Short Term Subordinated Notes) qualifying as regulatory capital (*recursos propios*) in accordance with Banco de España requirements will have a maturity of not less than five years or as otherwise permitted by Banco de España. Short Term Subordinated Notes will have a maturity of not less than two years or as otherwise permitted by Banco de España.

Early Redemption for Taxation Reasons

- 7.02 If, in relation to any Series of Notes, (i) as a result of any change in the laws or regulations of Spain or in either case of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 9, and (ii) such circumstances are evidenced by the delivery by the Issuer to the Issue and Paying Agent of a certificate signed by two directors of the Issuer stating that the said circumstances prevail and describing the facts leading thereto, an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail and, in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), a copy of the Banco de España consent to the redemption, the Issuer may, at its option and having given no less than thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 15 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes (in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*) in accordance with the requirements of Banco de España) comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their principal amount or at such other Early Redemption Amount (Tax) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon **provided, however, that** (i) no such notice of

redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due, and (ii) in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), that the Banco de España consents to redemption of the Subordinated Notes.

In the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), redemption for taxation reasons is subject to the prior consent of Banco de España and may not take place within a period of five years (or, in the case of Short Term Subordinated Notes, two years) from their date of issue or as otherwise permitted by Banco de España.

Optional Early Redemption (Call)

- 7.03 If this Condition 7.03 is specified in the relevant Final Terms as being applicable, then the Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms (and subject, in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), in accordance with the requirements of Banco de España, to the prior consent of Banco de España) redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their principal amount or such other Early Redemption Amount (Call) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon.

In the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), redemption at the option of the Issuer is subject to the prior consent of Banco de España and may not take place within a period of five years (or, in the case of Short Term Subordinated Notes, two years) from their date of issue or as otherwise permitted by Banco de España.

- 7.04 The appropriate notice referred to in Condition 7.03 is a notice given by the Issuer to the Issue and Paying Agent and the Holders of the Notes of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- the Series of Notes subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes of the relevant Series which are to be redeemed;
- the due date for such redemption which shall be a Business Day, which shall be not less than thirty days (or such lesser period as may be specified in the relevant Final Terms) after the date on which such notice is validly given and which is, in the case

of Notes which bear interest at a floating rate, a date upon which interest is payable; and

- the Early Redemption Amount (Call) at which such Notes are to be redeemed.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

Partial Redemption

- 7.05 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 7.03, the Notes to be redeemed shall be drawn by lot, with the intervention of the relevant Commissioner and before a Notary Public who will take the minutes, in such European city as the Issue and Paying Agent may specify, or identified in such other manner or in such other place as the Issue and Paying Agent may approve and deem appropriate and fair subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Notes may be listed and/or quoted.

In connection with an exercise of the option contained in Condition 7.03 (*Optional Early Redemption (Call)*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

In the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*) partial redemption is subject to the prior consent of Banco de España and may not take place within a period of five years (or, in the case of Short Term Subordinated Notes, two years) from which their date of issue or as otherwise permitted by Banco de España.

Optional Early Redemption (Put)

- 7.06 If this Condition 7.06 is specified in the relevant Final Terms as being applicable to the Senior Notes, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date or the dates specified in the relevant Final Terms at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its principal amount or such other Early Redemption Amount (Put) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than sixty days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Note (together, in the case of a Definitive Note, with any unmatured Coupons appertaining thereto) with any Paying Agent

together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents. No Note so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

The Early Redemption (Put) shall not apply in the case of Subordinated Notes and holders of Subordinated Notes may not redeem such Subordinated Notes prior to the Maturity Date.

The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under either Condition 7.02 or 7.03.

Purchase of Notes

7.07 The Issuer and any of its respective subsidiaries may at any time purchase Notes in the open market or otherwise and at any price *provided that*, in the case of Definitive Notes, all unmatured Coupons appertaining thereto are purchased therewith.

In the case of Subordinated Notes which qualify as regulatory capital (*recursos propios*) the purchase of the Notes by the Issuer or any of its subsidiaries shall take place in accordance with the requirements of Spanish law and Banco de España.

Cancellation of Redeemed and Purchased Notes

7.08 All unmatured Notes and Coupons and unexchanged Talons redeemed or purchased otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 7 will be cancelled forthwith and may not be reissued or resold.

Further Provisions applicable to Redemption Amount and Instalment Amounts

7.09 The provisions of Condition 5D.02 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Determination Agent.

7.10 References herein to "**Redemption Amount**" shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.

Notices

7.11 Notices of early redemption (whether full or partial) of Notes shall be given in accordance with Condition 15 (*Notices*).

Notification of Luxembourg Stock Exchange

7.12 The Issuer shall notify the Luxembourg Stock Exchange of any early redemption (whether full or partial) of Notes.

8. Events of Default

8.01 Unless otherwise specified in the relevant Final Terms, if, in the case of Subordinated Notes, any of the events set out in paragraphs (ii), (iv), (v), (vi) or (vii) occurs and is continuing or, in the case of Senior Notes, any of the following events occurs and is continuing (each an "**Event of Default**"), such Event of Default shall be an acceleration event in relation to the Notes of any Series, namely:

- (i) *Non-payment*: if default is made in the payment of any interest or principal due in respect of the Notes of the relevant Series or any of them and such default continues for a period of seven days (or such other period as may be specified in the relevant Final Terms); or
- (ii) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other obligations under or in respect of the Notes, the Issue and Paying Agency Agreement and (except in any case where such failure is incapable of remedy when no such continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days following the service by the relevant Commissioner (as defined in Condition 14 below) on the Issuer of a notice requiring the same to be remedied; or
- (iii) *Cross default*: if any Indebtedness for Borrowed Money (as defined in Condition 8.02) of the Issuer becomes due and repayable prior to its stated maturity by reason of an event of default (however described) or the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for such payment or within any originally applicable grace period, or any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same, or if default is made by the Issuer in making any payment when due (or within any originally applicable grace period in respect thereof) under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, *provided that* no such event as aforesaid shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other liability relative thereto either alone or when aggregated with other Indebtedness for Borrowed Money and/or other liabilities relative to all (if any) other such events which shall have occurred shall amount to at least U.S.\$50,000,000 (or its equivalent in any other currency on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (iv) *Winding up*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Notes or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Notes, *provided that* any entity that survives or is created as a result of such merger is given a rating by an

internationally recognised rating agency at least equal to the then current rating of the Issuer at the time of such merger); or

- (v) *Cessation of business*: 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 a reorganisation (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Notes or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Notes, *provided that* any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the Issuer at the time of such merger), or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class thereof) 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
- (vi) *Insolvency proceedings*: if (a) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or in relation to the whole or a part of the undertaking or assets of it, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of either of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets or any of them, and (b) in any case is not discharged within 14 days; or
- (vii) *Arrangements with creditors*: if the Issuer 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).

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

8.03 If any Event of Default shall occur in relation to any Series of Notes, the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Holders of the Notes of the relevant Series, in respect of all the Notes of a relevant Series, or any Holder of a Note in respect of such Note and *provided that* such Holder does not contravene the resolution of

the relevant Syndicate (if any) may, by written notice to the Issuer, at the specified office of the Issue and Paying Agent, declare that such Note or Notes and all interest then accrued on such Note or Notes shall (when permitted by applicable Spanish law) be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its principal amount or such other Early Termination Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Notes under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Note or Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

9. **Taxation**

- 9.01 All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes, the Receipts and the Coupons by the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Holder of any Note, Receipt or Coupon of such amounts as would have been received by them had no such withholding or deduction been required.
- 9.02 The Issuer shall not be required to pay any additional amounts as referred to in Condition 9.01 in relation to any payment in respect of any Note, Receipt or Coupon:
- (i) to, or to a third party on behalf of, a Holder of a Note, Receipt or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Spain other than the mere holding of such Note, Receipt or Coupon; or
 - (ii) to, or to a third party on behalf of, a Holder in respect of whose Notes the Issuer does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or
 - (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
 - (iv) where the withholding or deduction referred to in Condition 9.01 is imposed on a payment to an individual and is required to be made pursuant to European Council

Directive 2004/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive; or

- (v) presented for payment by or on behalf of a Holder of a Note, Receipt or Coupon who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
- (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27th July 2004 and require a withholding to be made.

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

9.03 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders of Notes, Receipts and Coupons, notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 15.

9.04 Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of a Note, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable to these Terms and Conditions.

10. **Payments**

10A **Payments**

10A.01 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (save in the case of a partial redemption which

includes, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

10A.02 Payment of amounts in respect of interest on Bearer Notes will be made:

- (i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside (unless Condition 10A.03 applies) the United States and, in the case of a Temporary Global Note, upon due certification as required therein;
- (ii) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside (unless Condition 10A.03 applies) the United States; and
- (iii) in the case of Definitive Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 10A.04 applies) the United States.

10A.03 Payments of amounts due in respect of interest on the Bearer Notes and exchanges of Talons for Coupon sheets in accordance with Condition 10A.03 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, and (b) such payment or exchange is permitted by applicable United States law. If parts (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

10A.04 If the due date for payment of any amount due in respect of any Bearer Note is not a Relevant Financial Centre Day (as defined in Condition 10B.02) and (in the case of Definitive Notes only) a local banking day (as defined in Condition 10B.02), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the relevant Final Terms) and, thereafter will be entitled to receive payment on a Relevant Financial Centre Day and (in the case of Definitive Notes only) a local banking day and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and

Conditions in which event interest shall continue to accrue as provided in Condition 5D.04.

10A.05 Each Definitive Note initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

- (i) in the case of Definitive Notes which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) (excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such final redemption amount;
- (ii) in the case of Definitive Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and
- (iii) in the case of Definitive Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 10A.05 notwithstanding, if any Definitive Notes which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

10A.06 In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 10A.03 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

10A.07 For the purposes of these Terms and Conditions, the "United States" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

10B **Payments — General Provisions**

10B.01 Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due by (a) cheque or (b) at the option of the payee, transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 9, be subject in all cases to any applicable fiscal or other laws and regulations.

10B.02 For the purposes of these Terms and Conditions:

(i) **"Business Day"** means a day:

- in relation to Notes denominated or payable in euro which is a TARGET Business Day; and
- in relation to Notes payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
- on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms;

(ii) **"local banking day"** means a day (other than a Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon;

(iii) **"Relevant Financial Centre"** means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day" in the ISDA Definitions;

- (iv) **"Relevant Financial Centre Day"** means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre (which in the case of Australian dollars shall be Melbourne and which in the case of New Zealand dollars shall be Wellington) and in any other place specified in the relevant Final Terms and in the case of payment in euro, a day which is a TARGET Business Day;
- (v) **"TARGET Business Day"** means any day on which the TARGET2 System, or any successor thereto, is open for the settlement of payments in euro; and
- (vi) **"TARGET2 System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) payment system which utilises a single shared platform and which was launched on 19 November 2007.

and, in the case of any of paragraphs (i) to (iv) of this Condition 10B.02, as the same may be modified in the relevant Final Terms.

11. **Prescription**

- 11.01 Claims against the Issuer for payment of principal and interest in respect of Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.
- 11.02 In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 10A.05 or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 11 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

12. **The Paying Agents and the Determination Agent**

- 12.01 The initial Paying Agents and their respective initial specified offices are specified below. The Determination Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issue and Paying Agent) or the Determination Agent and to appoint additional or other Paying Agents or another Determination Agent Provided that it will at all times maintain (i) an Issue and Paying Agent, (ii) a Paying Agent (which may be the an Issue and Paying Agent) with a specified office in a continental European city, (iii) so long as the Notes are listed on the Luxembourg Stock Exchange and/or any other listing authority, stock exchange and/or quotation system, a Paying Agent (which may be the Issue and Paying Agent) with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other listing authority, stock exchange and/or quotation system, (iv) in the circumstances described in Condition 10A.03, a Paying Agent with a specified office in New York City, (v) a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, this Directive, and

(vi) a Determination Agent where required by the Terms and Conditions applicable to any Notes (in the case of (i), (ii) and (vi) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents and the Determination Agent reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents or the Determination Agent will be given promptly by the Issuer to the Holders of the Notes in accordance with Condition 15.

12.02 The Paying Agents and the Determination Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

13. **Replacement of Notes**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue and Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the relevant Final Terms (in the case of Notes and Coupons), subject to all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Notes are listed and/or quoted, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Issue and Paying Agent or the relevant Paying Agent may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

14. **Syndicate of Holders of the Notes and Modification**

The Holders of the Notes of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Notes (the "Regulations"). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer and shall be attached to the relevant Public Deed of Issuance. A set of pro forma Regulations is included in the Issue and Paying Agency Agreement.

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Notes, the Commissioner will call a general meeting of the Syndicate to ratify or oppose the acts of the temporary Commissioner, confirm his appointment or appoint a substitute and to ratify the Regulations.

Provisions for meetings of the Syndicate of Holders of the Notes will be contained in the Regulations and the Issue and Paying Agency Agreement. Such provisions shall have effect as if incorporated herein.

The Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Notes of any Series or Coupons, amend these Terms and

Conditions and the Deed of Covenant insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Notes.

For the purposes of these Terms and Conditions,

- (i) "**Commissioner**" means the trustee (*comisario*) as this term is defined under the Consolidated Text of Law on Limited Liability Companies 1/2010 dated 2 July (*Texto Refundido de la Ley de Sociedades de Capital*) ("**Spanish Companies Law**") of each Syndicate of Holders of the Notes; and
- (ii) "**Syndicate**" means the syndicate (*sindicato*) as this term is described under the Spanish Companies Law.

15. Notices

15.01 Notices to Holders of Notes will, save where another means of effective communication has been specified herein or in the relevant Final Terms, be deemed to be validly given if published in an English language daily newspaper in London (which is expected to be the *Financial Times*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) if the Notes are listed on the Luxembourg Stock Exchange (so long as such Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, in either case if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe or, in the case of a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein *provided that*, in the case of Notes admitted to listing on any listing authority, stock exchange and/or quotation system, the requirements of such listing authority, stock exchange and/or quotation system, have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of such delivery to Euroclear and Clearstream, Luxembourg and any other relevant clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

To Commissioners

15.02 Copies of any notice given to any Holders of the Notes will be also given to the Commissioner of the Syndicate of Holders of the Notes of the relevant Series.

16. Further Issues

The Issuer may, from time to time without the consent of the Holders of any Notes or Coupons create and issue further instruments, bonds or debentures having the same terms and conditions as

such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series.

17. **Currency Indemnity**

The currency in which the Notes are denominated or, if different, payable, as specified in the relevant Final Terms (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

18. **Waiver and Remedies**

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

19. **Law and Jurisdiction**

19.01 The issue of the Notes, including their legal nature (*obligaciones*), the status of the Notes and the subordination provisions in relation to the Notes, the capacity of the Issuer, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Notes are governed by Spanish law. The terms and conditions of the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant and all non-contractual obligations arising out of or in connection with the terms and conditions of the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant, are governed by, and shall be construed in accordance with, English law.

- 19.02 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or in connection with the Notes including a dispute regarding the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- 19.03 The Issuer irrevocably waives any objection which they might now or hereafter have to the courts of England being nominated as the forum to hear and determine any proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.
- 19.04 Without prejudice to any other mode of service allowed under any relevant law, the Issuer irrevocably (a) appoints Santander Consumer (UK) plc at 3 Princess Way, Redhill, Surrey, RH1 1SR as its agent for service of process in relation to any Proceedings or, if different, at any other address of the Issuer in Great Britain at which service of process may from time to time be served on it and (b) agrees that failure by an agent for service of process to notify the Issuer of the process will not invalidate the Proceedings concerned. If the appointment of the person mentioned in this Condition 19.04 ceases to be effective, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of Notes shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of Notes to serve process in any other manner permitted by law. This condition applies to proceedings in England and to proceedings elsewhere.
- 19.05 The submission to the exclusive jurisdiction of the courts of England is for the benefit of the Holders of the Notes only and therefore shall not (and shall not be construed so as to) limit the right of the Holders of the Notes or any of them to take proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

20. **Rights of Third Parties**

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

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated []

Santander Consumer Finance, S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €5,000,000,000 Euro Medium Term Note Programme

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so in:

- (i) circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) those Public Offer Jurisdictions mentioned in Paragraph 37 of Part A below, provided such person is one of the persons mentioned in Paragraph 37 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]¹

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the

¹ Include this legend where a non-exempt offer of Notes is anticipated.

Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances].²

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 November 2011 [and the Supplement[s] to the Base Prospectus dated 18 November 2011 which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended, (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 18 November 2011 [as so supplemented]. [The Base Prospectus [and the Supplement[s] to the Base Prospectus] [is] [are] available for viewing at the registered office of the Issuer (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the offices of the Paying Agent and Listing Agent of Dexia Banque Internationale à Luxembourg, société anonyme at route d'Esch, L - 2953 Luxembourg, and [on the website *www.bourse.lu*] and copies may be obtained from the addresses specified above.]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.]

[Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the "**Conditions**") incorporated by reference in the Base Prospectus dated [*original date*]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 18 November 2011 [and the Supplement[s] to the Base Prospectus dated [] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended, (the "**Prospectus Directive**"), save in respect of the Conditions which are set forth in the base prospectus dated [*original date*] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.]

[Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*original date*] and 18 November 2011 [as so supplemented]. [The Base Prospectus [and the Supplement[s] to the Base Prospectus] [is] [are] available for viewing at the registered office of the Issuer (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying

² Include this legend only where an exempt offer of Notes is anticipated. Applicable only to securities with a denomination of less than EUR 100,000.

Agent, Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the offices of the Paying Agent and Listing Agent of Dexia Banque Internationale à Luxembourg, société anonyme at route d'Esch, L - 2953 Luxembourg, and [on the website *www.bourse.lu*] and copies may be obtained from the addresses specified above.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: Santander Consumer Finance, S.A.
2. (i) Series Number: []
 [(ii)] Tranche Number: []
[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: []
4. Aggregate Principal Amount: []
 [(i)] Series: []
 [(ii)] Tranche: []
5. Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]
6. Specified Denominations: []
7. [(i)] Issue Date: []
 [(ii)] Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate — Notes) Interest Payment Date falling in the relevant month and year]
9. Interest Basis: [% Fixed Rate]
 [[specify reference rate] • % Floating Rate]

- [Index-Linked Interest]
[Other (specify)]
(further particulars specified below)
10. Redemption/Payment Basis:³ [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes: into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]⁴
[Issuer Call]⁵
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior/Subordinated]
- [[(ii)] [Date [Board] approval for issuance of Notes obtained: (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]⁶
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [specify Business Day Convention/not adjusted].

³ If the Maturity Redemption Amount is linked to an underlying or other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

⁴ Not applicable in the case of Subordinated Notes.

⁵ Euroclear and Clearstream, Luxembourg must be given 5 business days' notice of exercise of Issuer call option.

⁶ Applicable only to securities with a denomination of less than €100,000

- (iii) Fixed Coupon Amount[(s)]: [] per [] Nominal Amount
- (iv) Day Count Fraction: [30/360]/[30E/360]/[Actual/Actual (ICMA)]/other (give details)
- (v) Determination Dates: [] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.

(N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vi) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): []
- (ii) Interest Payment Dates: []
- (iii) First Interest Payment Date: []
- (iv) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other *(give details)*]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the[Agent]): []
- (vii) Screen Rate Determination

- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (viii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (ix) Margin(s): [+ /-] [] per cent. per annum
- (x) Minimum Rate of Interest: [] per cent. per annum
- (xi) Maximum Rate of Interest: [] per cent. per annum
- (xii) Day Count Fraction: []
- (xiii) Fall back provisions, rounding provisions denominator and any other terms relating to the method of calculating interest on Floating Rate Notes if different from those set out in the Conditions: []
17. Index-Linked Interest Note/other Variable-Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
 - (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the[Agent]): []

- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variables is impossible or impracticable or otherwise disrupted: *(Need to include a description of market disruption settlement, disruption events and adjustment provisions).*
- (v) Determination Date(s): []
- (vi) Interest or calculation period(s): []
- (vii) Specified Period(s)/Specified Interest Payment Dates: []
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Preceding Business Day Convention/Modified Following Business Day Convention/other *(give details)*]
- (ix) Minimum Rate/Amount of Interest: [] per cent. per annum
- (x) Maximum Rate/Amount of Interest: [] per cent. per annum
- (xi) Day Count Fraction: []
- 18. Dual Currency Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Rate of Exchange /method of calculating Rate of Exchange: *[give details]*
 - (ii) Party, if any, responsible for calculating the principal and/or interest due: (if not []

the [Agent]):

- (iii) Provisions applicable []
where calculation by
reference to Rate of
Exchange impossible or
impracticable:
- (iv) Person at whose option []
Specified Currency(ies)
is/are payable:

PROVISIONS RELATING TO REDEMPTION

19. Call Option: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(The clearing systems require a minimum of 5 business days notice if such an option is to be exercised)
- (i) Optional Early Redemption []
Date(s):
 - (ii) Optional Early Redemption [] per Note of [] specified denomination
Amount (Call) of each
Note and method, if any,
of calculation of such
amount(s):
 - (iii) If redeemable in part:
 - (a) Minimum []
Redemption
Amount:
 - (b) Maximum []
Redemption
Amount:
 - (iv) Notice period⁷ []
20. Put Option: [Applicable/Not Applicable]²

⁷ If setting notice periods which are different to those provided in the terms and conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issue and Paying Agent.

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(The clearing systems require a minimum of 5 business days notice if such an option is to be exercised)

- (i) Optional Early Redemption []
Date(s):
 - (ii) Optional Early Redemption [] per Note of [] specified denomination
Amount (Put) of each Note
and method, if any, of
calculation of such
amount(s):
 - (iii) Notice period⁵ []
21. Maturity Redemption Amount of each Note: [[] per Note of [] specified denomination/other/see Appendix]
In cases where the Maturity Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
 - (ii) Party responsible for calculating the Maturity Redemption Amount (if not the [Agent]): []
 - (iii) Provisions for determining Maturity Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
 - (iv) Determination Date(s): []
 - (v) Provisions for determining Maturity Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []

- (vi) Payment Date: []
- (vii) Minimum Maturity Redemption Amount: []
- (viii) Maximum Maturity Redemption Amount: []
22. Early Redemption Amount (Tax):
- Early Redemption Amount(s) of []
each Note payable on redemption
for taxation reasons or on event of
default or other early redemption
and/or the method of calculating
the same (if required or if different
from that set out in the
Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: Bearer.
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
24. New Global Note: [Yes] [No]
25. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the [Yes/No. If yes, give details]

Notes and interest due on late payment:

27. Business Day: *[Specify any additional financial centres necessary for the purposes of Condition [10B.02] or any modification required.]*
28. Relevant Financial Centre: *[Specify any modification required.]*
29. Relevant Financial Centre Day: *[Specify any additional financial centres necessary for the purposes of Condition [10B.02], or [10A.04].]*
30. Details relating to Instalment Notes: amount of each Instalment date on which each payment is made: *[Not Applicable/give details]*
31. Temporary Commissioner: *[]*
32. Other final terms: *[Not Applicable/give details]*

(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

33.
 - (i) If syndicated, names and addresses of Managers and underwriting commitments: *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
 - (ii) Date of [Subscription Agreement] *[]*
 - (iii) Stabilising Manager: *[]*
34. If non-syndicated, name and address of Dealer/Manager: *[]*
35. [Total commission and concession: *[]* per cent. of the Aggregate Nominal Amount]²
36. US Selling Restrictions: *[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable]*
37. Non-exempt Offer: *[Not Applicable] [An offer of the Notes may be made by*

the Managers [and *[specify, if applicable]*] other than pursuant to Article 3(2) of the Prospectus Directive in *[specify relevant Member State(s) — which must be jurisdictions where the Base Prospectus and any supplements have been passported]* ("**Public Offer Jurisdictions**") during the period from *[specify date]* until *[specify date]* ("**Offer Period**"). See further Paragraph 10 of Part B below³

38. Additional Selling Restrictions: [Not Applicable/give details]

CREDIT LINKED NOTES:

[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

39. General

- (i) Redemption Amount: [Express per Specified Denomination]
- (ii) Trade Date: []
- (iii) Scheduled Termination Date: [The day falling five Business days prior to the Scheduled Maturity Date/specify other]
- (iv) Calculation Agent responsible for making calculations and determinations pursuant to Condition 6: []
- (v) Calculation Agent City: []

Credit Provisions

- [(vi)] Reference Entity(ies): []
- [(vii)] Reference Obligation(s): []
[The obligation[s] identified as follows:

Primary Obligor: []

Guarantor: []

Maturity: []

Coupon: []

CUSIP/ISIN: []

[The obligation] identified as follows:

(viii) All Guarantees: [Applicable/Not Applicable]

Provisions relating to Qualifying Guarantee and Underlying Obligation: Condition [6(n)] [Applicable/Not Applicable]

(ix) Credit Events: [Bankruptcy]
[Failure to Pay]
[Grace Period Extension (Condition [6(e)] [Applicable/Not Applicable]
[If Applicable:
Grace Period: []
[Obligation Acceleration]

[Obligation Default]
[Repudiation/Moratorium
[Maturity Date Extension (Condition 6(f))]
[Applicable/Not Applicable]]
[Restructuring]

- Provisions relating to Restructuring Credit Event: Condition 6(k) [Applicable/Not Applicable]
- Provisions relating to Multiple Holder Obligation: Condition 6(l) [Applicable/Not Applicable]
- Restructuring Maturity Limitation and Fully Transferable Obligation [Applicable/Not Applicable]
- [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation[Applicable/Not Applicable]

[other]

Default Requirement: []

Payment Requirement: []

(x) Conditions to Settlement: Notice of Publicly Available Information [Applicable/Not Applicable]

[If Applicable:
Public Source(s): []
(If other than in the definition in Condition 6(i))

Specified Number: []

(If none specified, then it is deemed to be two)

(xi) Obligations:

Obligation Category

[select one only]

[Payment]

[Borrowed Money]

[Reference Obligations Only]

[Bond]

[Loan]

[Bond or Loan]

[] Obligation Characteristics:

[select all of which apply]:

[Not Subordinated]

[Specified Currency:

[specify currency] [Standard Specified Currencies]]

[Not Sovereign Lender]

[Not Domestic Current:]

[Domestic Currency means: [specify currency]]

[Not Domestic Law]

[Listed]

[Not Domestic Issuance]

Additional Obligation(s):

[]

(xii) Provisions relating to
Monoline Insurer to
Reference Entity:

Condition [6(m)] [Applicable/Not Applicable]

(xiii) Excluded Obligation(s):

[]

(xiv) Whether redemption of the
Notes will be by (a) Cash
Settlement or (b) Physical
Delivery:

[Cash Settlement/Physical Delivery]

(xv) Accrual of interest upon
Credit Event:

[Applicable/Not Applicable]

(xvi) Merger Event: Condition
[6(i)]:

[Applicable/Not Applicable]

If Applicable: Merger Event
Redemption Date:

[]

[(xvii) Unwind Costs:

[Standard Unwind Costs/Not Applicable]

Terms relating to Cash Settlement

(xviii) Credit Event Redemption

[Express per Specified Denomination]

Amount:

- (xix) Credit Event Redemption Date: [] Business Days
- (xx) Valuation Date: [Single Valuation Date:
[] Business Days]
[Multiple Valuation Dates:
[] Business Days; and each [] Business Days thereafter.
Number of Valuation Date: []]
- (xxi) Valuation Time: []
- (xxii) Quotation Method: [Bid/Offer/Mid-market]
- (xxiii) Quotation Amount: [[]/Representative Amount]
- [(xxiv) Minimum Quotation Amount: []]
- (xxv) Quotation Dealers: []
- (xxvi) Quotations: [Include Accrued Interest/Exclude Accrued Interest]
- (xxvii) Valuation Method: [Market/Highest]
[Average Market/Highest/Average Highest]
[Blended Market/Blended Highest]
[Average Blended Market/Average Blended Highest]
- (xxiii) Other terms or special conditions:

Terms relating to Physical Delivery

- (xxix) Physical Settlement Period: [] Business Days
- (xxx) Asset Amount: [Include Accrued Interest/Exclude Accrued Interest]
- (xxxi) Settlement Currency: []
- (xxxii) Deliverable Obligations:
- Deliverable Obligation Category: [Payment]
[select one only]: [Borrowed Money]
[Reference Obligations Only]
[Bond]
[Loan]
[Bond or Loan]

Deliverable Obligation

Characteristics:

[*select all of which apply*]:

☐ [Not Subordinated]
☐ [Specified Currency:
[*specify currency*] [Standard Specified Currencies]
☐ [Not Sovereign Lender]
☐ [Not Domestic Currency]
☐ [Domestic Currency means: [*specify currency*]
☐ [Not Domestic Law]
☐ [Listed]
☐ [Not Contingent]
☐ [Not Domestic Issuance]
☐ [Assignable Loan]
☐ [Consent Required Loan]
☐ [Direct Loan Participant
☐ [Qualifying Participant Seller: [*insert details*]
☐ [Transferable]
☐ [Maximum Maturity:
[]]
☐ [Accelerated or Matured]
☐ [Not Bearer]

Additional Deliverable
Obligations: []

(xxxiii) Excluded Deliverable
Obligations:

(xxxiv) Indicative Quotations: [Applicable/Not Applicable]

(xxxv) Cut-Off Date: []

(xxxvi) Delivery provisions for
Asset Amount (including
details of who is to make
such delivery if different
from Terms and
Conditions: []

(xxxvii) Other terms or special
conditions: []

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] and admission to trading on [*specify regulated market*] of the Notes described herein] pursuant to the €5,000,000,000 Euro Medium Term Note Programme of Santander Consumer Finance, S.A.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from [*specify source*]. [The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

CONFIRMED

SANTANDER CONSUMER FINANCE, S.A.

By: _____
Authorised Signatory

Date

PART B — OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on *[the Official List of the Luxembourg Stock Exchange]* and admitted to trading on *[the Regulated Market of the Luxembourg Stock Exchange]* with effect from [].]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

2. RATINGS

The Notes to be issued have been rated:

[S&P: []]

[Moody's: []]

[Fitch: []]

[[Other]: []]

These credit ratings have been issued by Standard & Poor's Credit Market Services Europe Limited, [Moody's Investor Services España, S.A.] [and Fitch Ratings España, S.A.U.] [other][, which [is/are] established in the EEA and registered under Regulation (EU) No 1060/2009, as amended⁸ /which [is/are] established in the European Union and have applied for registration under Regulation (EU) No. 1060/2009 although notification of the corresponding registration decision has not yet been provided by the competent authority.]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. [May be specified by the inclusion of the following statement:

"Save as discussed in the section entitled "*Subscription and Sale*" of the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

⁸ Select this option in the case of ratings assigned by S&P, Moody's and/or Fitch.

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]]⁴

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

[[i)] Reasons for the offer []

See "Use of Proceeds" wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[(ii)] Estimated net proceeds: []

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*⁴

[(iii)] Estimated total expenses⁹: []

[Include breakdown of expenses.]

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)¹⁰

5. **[[Fixed Rate Notes only**

YIELD

Indication of yield: []

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

⁹ For securities of at least €100,000 only the estimated total expenses related to admission to trading should be included.

¹⁰ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]⁴

6. **[Floating Rate Notes only — HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. **[Index-Linked or other viable-linked Notes only — PERFORMANCE OF INDEX/FORMULA/other variable, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS and other information concerning the underlying**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.] [Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]⁶

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]¹

8. **[Dual Currency Notes only — PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]³

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

9. **OPERATIONAL INFORMATION**

ISIN: []

Common Code: []

Any Clearing System other than Euroclear and [] [Not Applicable]
Clearstream Banking, société anonyme and the

relevant identification numbers:

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) []
(if any):

Intended to be held in a manner which would allow [Yes][No]
Eurosystem eligibility:

[Note that the designation "**yes**" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being specified that Eurosystem eligibility criteria have been met.][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

10. **TERMS AND CONDITIONS OF THE OFFER¹¹**

Offer Price: [Issue Price][*specify*]

Conditions to which the offer is subject: [Not Applicable/*give details*]

The time periods, including any possible amendments, during which the offer will be open and a description of the application process: [Not Applicable/*give details*]

Description of the application process: [Not Applicable/*give details*]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]

Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]

Details of the method and time limits for paying up [Not Applicable/*give details*]

¹¹ *Applicable only to securities with a denomination of less than EUR 100,000.*

and delivering the Notes:

Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]

Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/*give details*]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 18 November 2011 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 7.06 (*Optional Early Redemption (Put)*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Issuer and Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 7.03 (*Optional Early Redemption (Call)*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

DESCRIPTION OF THE ISSUER

Santander Consumer Finance, S.A.

History and Development

The Issuer's legal name is Santander Consumer Finance, S.A. (the "**Issuer**") and its commercial name is "Santander Consumer".

The Issuer is registered in the Mercantile Registry of Madrid with Fiscal Identification Code number A-28122570. It is also registered under the number 0224 in the Register of Banks maintained by the Bank of Spain.

The Issuer was established as a limited liability company (*sociedad anónima*) under the legal name "Banco de Fomento, S.A." by way of a deed (*escritura*) granted by the Notary of Madrid Mr. Urbicio López Gallego, acting as the substitute of his colleague Mr. Alejandro Bérnago Llabrés but with Mr. Bérnago Llabrés' notarial number 2.842, on 31 August 1963. In 1995, the Issuer changed its name to "Hispaner Banco Financiero, S.A." and then changed it again in 1999 to "HBF Banco Financiero, S.A.". The Issuer's current name, Santander Consumer Finance, was changed on 19 December 2002 and published in the Official Bulletin of the Mercantile Registry (*Boletín Oficial del Registro Mercantil*) on 13 January 2003.

The Issuer began operations on the same day that it was established and was established for an indefinite term. The Issuer's activity is subject to the Spanish legislative regime applicable to financial institutions in general and, in particular, to the supervision, control and rules of the Bank of Spain.

The registered office of the Issuer is located at Ciudad Grupo Santander, Avenida de Cantabria, s/n, Boadilla del Monte (Madrid), Spain. The telephone number of the Issuer's registered office is + 34 91 289 0000.

Santander Consumer Finance, S.A is an unlisted company, and therefore is not subject to the Spanish corporate governance regime, set out in Article 116 of the Stock Market Law (artículo 116 en la Ley de Mercado de Valores). Consequently, Santander Consumer Finance, S.A. is not bound to publish the level that it implements the recommendations set out under the Spanish corporate governance regime or, as may be the case, an explanation regarding reasons for not following such recommendations.

Business Overview

Principal Activities of the Issuer

The Issuer's object is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions, as set out in Article 2 of the constitutive documents (*Estatutos*) of Santander Consumer. In addition, the Issuer is the holding company of a finance group (the "**Consumer Group**") and handles investments into its subsidiaries.

The Issuer is part of the Santander Group (as described above), the parent entity of which (Banco Santander, S.A. ("**Banco Santander**") had, as at 31 December 2010, a 100 per cent. direct and indirect ownership interest in the share capital of the Issuer. Banco Santander has its registered office at Paseo de Pereda 9-12, Santander. In addition, the consolidated financial statements for 2010 of the Santander Group were approved by the shareholders meeting held on 28 April 2011 and were filed at the Santander Mercantile Registry.

The Consumer Group's primary activity is related to automobile financing, personal loan and credit card businesses. However, it also works at attracting customer funds. The Consumer Group has 523 branches located throughout Europe (173 of which are in Germany and 75 of which are in Spain) and engages in finance leasing, financing of third party purchases of consumer goods of any kind, full-service leasing ("renting") and other activities. Additionally, since December 2002, the Issuer has been the head of a European corporate group, consisting mainly of financial institutions, which engages in commercial banking, consumer finance, operating and finance leasing, full-service leasing and other activities in Germany, Italy, the Czech Republic, Hungary, Austria, Poland, the Netherlands, Norway, Finland, Denmark, Sweden and Portugal.

The Issuer has continued its geographic expansion, partly through management's acquisition strategy and partly due to organic growth. The Issuer's activity remains focused on Europe, with consumer finance franchises in Spain, Germany, Poland and Norway and a presence in Italy and Portugal.

The Issuer's strategy consists of establishing agreements with subscription agents (mainly dealers) in order to deliver finance for automobiles and other consumer goods. The Issuer also seeks to generate loyalty affiliations with final customers by directly offering them other products such as credit cards. The Issuer's primary business, however, continues to be the financing of new and used cars.

The main management focus during 2010 was centred on commercial operations and cross selling in order to offset the lower production in new car purchases in those countries in which the incentive programmes for new vehicle purchases were coming to an end. Also, further progress was made in loan admission and recovery policies in the various countries following the initial positive results obtained and in the obtainment of synergies in the recently acquired units, portfolios and activities.

Additionally the Consumer Group took advantage of the opportunities to strengthen its business portfolios in its core countries, primarily Germany and Poland.

In 2010 the Polish subsidiary Santander Consumer Bank S.A. (Poland) combined its business with AIG Bank Polska S.A., an AIG Group consumer finance entity, in order to strengthen the Consumer Group's consumer finance operations in Poland by obtaining synergies from the complementary nature of the two entities' core activities: vehicle financing in the case of Santander Consumer Bank S.A. (Poland), and personal loans, credit cards and deposits in the case of AIG Bank Polska S.A.

Total funds managed by the Consumer Group amounted to €60,037 million in 2010 (excluding Santander Consumer USA Inc.), representing a decrease of 2.6 per cent. as compared to €61,664 million in 2009. Loans and advances to customers amounted to €48,637 million in 2010, 4.47 per cent lower than that in 2009. The managed assets portfolio was €54,016 million, 3.9 per cent. lower

than in 2009). Approximately 81 per cent. of the Consumer Group's assets related to loans and advances to costumers and about 77 per cent. of the Consumer Group's loan portfolio at 31 December 2010 was concentrated in Spain, Germany and Italy.

At June 2011, approximately 82 per cent. of the Consumer Group's assets related to loans and receivables are with customers.

Doubtful assets of the Consumer Group stood at €2,824 million at 31 December 2010, maintaining approximately the same level with the balance of €2,922 million at 31 December 2009. The changes in non- performing loans and the cost of credit reflect, on the one hand the across-the-board deterioration of the economic environment that has affected the financial system as a whole, and, on the other hand prudent risk management which enabled the Consumer Group to hold these data at adequate levels and to increase the NLP coverage ratio which stood at 101 per cent. compared with the 92.9 per cent of 2009.

With regard to liabilities, there was considerable growth in customer deposits in Germany. Furthermore, Open Bank Santander Consumer, S.A. ceased to be part of the Consumer Group, after it was sold to the Santander Group. The net effect of these two factors left customer deposits practically unchanged compared to the previous year.

Profit before taxes in 2010 was €542.4 million or €401.08 million after taxes (€344.91 million excluding minority interests). Profit before taxes in 2009 was €250.15 million. From the management point of view inside the Santander Group, the 2010 net attributable profit of Consumer Group was €810.6 million without (this includes other managed companies, for example Santander Consumer USA, a Texan subsidiary of the Santander Group which is also dedicated to financing vehicles in the US, Santander Consumer UK and a Belgium branch).

In terms of geographic areas, Germany accounted for the largest attributable profits of the Consumer Group with €348.59 million in 2010, an agreement was entered into in July with the Swedish Bank SEB to acquire its German retail business, which will double the number of Santander Consumer Finance branches in that country and will bring into the Consumer Group a loan portfolio of €8 billion, consisting mainly on mortgages and deposits of €4,5 billion.

The evolution of the business in Spain, the country worst affected by the decline of the industry, continues to be weak. The business performance in Poland, by contrast, was good following the merger with AIG Bank Polska S.A.

The basic levers behind this performance are:

- Robust income levels due to management of prices and cost of financing, which has been kept low.
- Cost control through the harnessing and consolidation of synergies and restructurings.
- Lower credit loss provisions recognised due to the enhanced quality of the loan portfolio, with a lower non-performing loans ratio and greater coverage. Coverage reached 101 per cent. of non-performing loans at 2010 year-end.

- In the second half of 2010, AIG's business in Poland was incorporated and the Russia and UK units were sold. 50.1 per cent. of the UK business was sold to Banco Santander UK, which already owned the remaining 49.9 per cent..

The main management focus was on organic growth and cross-selling, supported by brand agreements and penetration in used cars, which countered the drop in the number of new cars being registered in Europe. At the same time, there was a considerable effort in risk control and loan approval and recoveries, which led to improvements in credit quality.

In addition, the Consumer Group actively managed its businesses: it acquired units in markets with strong potential, mainly Germany and Poland, while discontinuing businesses without a critical mass, as in the case of the disposal of the Russian unit.

Also, further progress was made in loan admission and recovery policies in the various countries following the initial positive results obtained.

The additions included most notably the consolidation of AIG Bank Polska S.A. in Poland, which positioned the unit as leader among specialised financial institutions. This merger was formalised at the beginning of 2011 and enabled the Consumer Group to combine directly the experience and positioning of Santander Consumer Bank S.A. (Poland) in the vehicle finance sector with the experience of AIG Bank Polska S.A. in the financing of sales, cash loans, credit cards and deposits, which will be to the benefit of the customer.

Also, progress was made in the integration of new units in 2010. Noteworthy is the effort made in Germany, which combined the integration of GE with the migration to Partenón of most of the business modules in Germany, which is expected to be completed in 2011. This will be the operating base for the integration of the SEB retail business acquired in January 2011. This transaction was completed on 31 January 2011 and, therefore, it is not presented on the balance sheet or the income statement of the area.

In November 2010 the Issuer sold its 50.1 per cent. ownership interest in the share capital of Santander Consumer (UK), plc to Santander UK plc, which forms part of the Santander Group, for GBP 185.5 million (EUR 218 million), giving rise to gains of EUR 101 million.

All these actions are reflected in the income statement, where attributable profit grew by EUR 244 million to EUR 345 million.

- Sound performance of net interest income (+ 8.5 per cent.) underpinned by an active management of spreads and by average portfolio growth. Slowdown of fee and commission income (-7.8 per cent.) due to the fall in new vehicle financing, albeit partially offset by higher levels of penetration in insurance and the expansion of the range of insurance products offered. As a result of these effects, gross income continued to grow and was up 1.7 per cent. on the year-ago period.
- Strict control of costs, which fell by 0.43 per cent. with respect to 2009 thanks to the consolidation of the synergies attained in the latest acquisitions and to the restructuring measures that were implemented. The performance of income and costs made it possible to further

improve the efficiency ratio, which reached a level of 35 per cent., almost 100 basis points lower than 2009.

- Reduction in credit loss provisions (-15 per cent.) due to the enhanced credit quality of the portfolios. These provisions reflect the impact of the more demanding accounting framework regarding provisions in Spain (EUR 26 million) and the higher general purpose provisions due to the increase in volumes and portfolios. Both of these factors were offset by the lower specific provisions due to the improved credit quality of the business. At the same time, 2010 saw the start of a trend of containment thanks to the efforts made in loan approval and recovery in the credit risk area. The coverage of doubtful assets increased to 101 per cent., which is above that of the comparable entities in the market in which the Consumer Group operates.
- Turning to the other line items, there was a smaller negative impact on discontinued operations and higher minority interests because of Poland.

A similar performance was achieved in the various geographical areas, albeit in varying degrees. Accordingly, Germany, the top-ranking area in terms of profit, was very active in the management of spreads and in cost reduction, which evidenced the positive impact of synergies.

A very positive trend was seen in the Nordic countries, which more than doubled the profit obtained in 2009 due to better credit quality and a moderate increase in production. Spain's performance is still weak, as reflected in the lower revenue, which is being offset by cost reduction and notably lower provisions than in 2009 (-29.9 per cent.) due to the improved credit quality. Lastly, higher business volume was achieved in Poland following the integration of AIG Bank Polska S.A. (EUR 3,600 million in loans and EUR 1,009 million in deposits).

Activity

Gross loans and receivables amounted to EUR 51,090 million, as compared with almost EUR 51,000 million in 2009.

New loan production (more than EUR 20,100 million) fell with respect to 2009 as a result of the drop in the number of new cars being registered in Europe (-5 per cent. year-on-year).

By unit, noteworthy was the growth in Spain, which obtained a profit in 2010, and Nordic countries, where profit increased by 13 per cent. in local currency terms. All of this offsets the lower production in Germany (-10 per cent.) due to the end of the public incentives for vehicle replacement, which led to a 23 per cent. decline in the number of new cars being registered with respect to 2009 (*source*: European Automobile Manufacturer's Association).

In terms of liabilities, customer deposits amounted to EUR 24,338 million, 36 per cent. more than in 2009, because of the German unit's capacity to attract funds and the addition of Poland. Additionally, Santander Consumer Finance increased the volume of issues launched, thereby drastically reducing its dependency on the parent of the Consumer Group, the objective being to be entirely self-funding by 2012.

In the first half of 2011 the area obtained profit attributable to the Parent of €285 million, 65 per cent. higher than in the first half of 2010.

It is important to note the changes in the scope of consolidation with respect to 2010, i.e. the inclusion of the AIG units in July 2010 and Santander Retail in March 2011, and the exclusion of Santander Consumer UK in November 2010, when it was transferred to the scope of consolidation of Santander in the UK. Noteworthy among these was Santander Retail, the new unit in Germany, which focused its activity on the management of asset process, mainly mortgages, and on attracting customer deposits. The main management focus was centred on commercial operations and cross-selling in order to offset the lower production in new car purchases in those countries in which the incentive programmes for new vehicle purchases were coming to an end.

The increase in earnings in the first half of 2011 was driven by a rise in net interest income (+ 5 per cent.) due to an increase in the portfolio under management (+ 9 per cent.) and improved margins, both benefiting from the new additions to the Consumer Group and an improvement in fee and commission income(+ 13 per cent.), supported by greater penetration in key European countries (Germany, Poland and Norway).

Higher costs (+ 31 per cent. year-on-year) due to the new additions to the Consumer Group. Excluding these additions costs were flat and stable (-1 per cent.).

A steep decline in credit loss provisions (-38 per cent.) which leveraged the net operating income after credit loss provisions (+ 52 per cent.). This drop in provisions reflects the improved quality of the portfolio: a further reduction in the non-performing loans ratio to 4.8 per cent. and high coverage (103 per cent.), after absorbing the new additions to the Consumer Group.

New Business of the Issuer in 2010

The volume of new business in 2010 was €20,109 million, slightly below the volume in 2009, which was €21,401 million.

The following table summarises new financing extended in 2010 by product line, compared with the previous year:

<i>(millions of euros)</i>	2010 Financial year (unaudited)	Percentage of total activity	2009 financial year (unaudited)	Variation 2010/2009
New Business (W/O Stock Financing)				
Cars	11,193.2	56%	12,783.2	-12%
New Cars	5,936.8	30%	6,643.8	-11%
Used Cars	5,256.4	26%	6,139.4	-14%
Consumer Financing and Credit Cards	4,383	22%	4,350.7	1%
Direct	3,622.9	18%	3,461.7	5%
Mortgages	72.5	0%	124.5	-42%
Other	837.8	4%	680.9	23%
Total financing activity	20,109.3	100%	21,400.9	-6%

The managed assets portfolio in 2010 was €54,016 million (a decrease of 3.9 per cent.). Loans and advances to customers amounted to €48,637 million in 2010, representing a 4.47 per cent. decrease since 2009 basically due to the selling of Santander Consumer UK.

New loans decreased by 6 per cent. due to the decline in car market registration and due to the Issuer sale of its 50.1 per cent. ownership interest in the share capital of Santander Consumer (UK), plc to Santander UK plc.

The Automotive business comprises all the businesses related to the financing of new and used vehicles, including operating and finance leases. This is the Consumer Group's main business, which at €11,193.2 million represented 56 per cent. of the new financing activity during 2010, a decrease of 12 per cent. over the previous year. New car financing accounted for 19 per cent. of the total portfolio (30 per cent. of the total new business) while used car financing accounted for 17.4 per cent. of the total portfolio.

Consumer financing and Cards Business reflect the income from consumer products distributed through intermediaries (subscription agents or dealers) not included in the Direct Finance Business. Credit cards represent the business of extending consumer credit by cards, including the management of the credit cards. These two products represented 22 per cent. of total activity in 2010, or €4,383 million, and an increase of per cent. compared with the previous year.

Direct loans grew by 5 per cent. in 2010. Direct financing comprises the financing of consumer products distributed through the Consumer Group's own channels, without intermediation. It includes the marketing of personal loans for small amounts, with a short granting and approval period. Direct Financing represents 18 per cent. of the Consumer Group's total activity, with an amount of €3,623 million in 2010.

The mortgage financing business includes all activities related to financing backed by property as collateral. This business is carried out only in two countries: Spain and Poland. Mortgage financing decreased by 42 per cent. during the year 2010 and accounted for €72.5 million, equivalent to 0.4 per cent. of total new business for 2010.

Other businesses include operations that do not fit into any of the above categories, such as operations with companies (corporate leasing and real estate renting). This business accounted for 4 per cent. of new business in 2010.

At the end of 2010, the balance of customer funds reached €34,482 million, representing an increase of 10 per cent. compared to the €31,315 million recorded in the previous financial year, excluding subordinated debt issued.

The Consumer Group holds banking licenses in the majority of the countries in which it is present. One of its main sources of funding is customer deposits through Germany, Spain, Italy and Scandinavia.

Customer deposits (demand deposits and fixed-term deposits) ended the year with a balance of €24,339 million, an increase of 36 per cent from the previous financial year.

Out of this total, 92.4 per cent. come from Germany, 1.8 per cent. came from Italy, 1.2 per cent. came from Spain and 4.4 per cent came from rest of Europe

Marketable debt securities include several outstanding bonds from securitisations in Spain, Germany, Italy and Portugal with the inclusion of *Cédulas Hipotecarias* issued by Santander Consumer Finance S.A. in March 2006 for a maximum nominal amount of €1,200 million, notes issued under the *Programa de Emisión de Pagars* with a limit of €10,000 million and notes issued under the Euro Commercial Paper Programme launched in June 2009 for a maximum nominal amount outstanding that may not exceed €8,000 million.

The following table summarises customer funds under management in 2010, as compared to the previous financial year (the data does not include valuation adjustments nor subordinated debt):

Customer Funds under management			
<i>(millions of euros)</i>	2010 financial year (unaudited)	2009 financial year (unaudited)	Variation 2010/2009 (percentage)
Customer deposits	24,338.9	17,896.2	36%
Marketable debt securities	10,143.4	13,419.0	-24%
Total client funds on balance sheet	34,482.3	31,315.2	10%

Main Markets in which the Issuer Competes

At year end 2010, the Issuer carried out its consumer financing business mainly in the Euro zone. The Consumer Group separates geographic reporting into five operating areas, each one containing the total of the business that the Consumer Group carries out in each geographical area: Germany, Spain, Italy, Scandinavia and the rest of Europe.

The following tables summarise customer lending and customer deposits by geographical area at 31 December 2010, in comparison with the previous year (excluding balance sheet adjustments):

Customer Lending				
<i>(millions of euros)</i>	2010 financial year (unaudited)	Percentage of total activity	2009 financial year (unaudited)	Variation 2010/2009 (percentage)
Spain	8,979.1	18%	10,576.5	-15%
Germany	20,610.4	41%	21,008.2	-2%
Italy	7,666.5	15%	7,696.3	0%
Scandinavia	6,270.1	13%	5,344.2	17%
Rest of Europe	6,712.6	13%	5,547.0	21%
Total	50,238.7	100%	50,172.2	0%

Customer Deposits				
<i>(millions of euros)</i>	2010 financial year (unaudited)	Percentage of total activity	2009 financial year (unaudited)	Variation 2010/2009 (percentage)
Spain	287.0	1%	233.2	23%
Germany	22,499.8	93%	17,147.3	31%
Italy	443.4	2%	421.6	5%
Scandinavia	36.5	0%	53.8	-32%
Rest of Europe	1,072.2	4%	92.0	1,065%
Total	24,338.9	100%	17,947.9	36%

The following sections describe the main markets in which the Issuer competes within each geographic area.

GERMANY

The following table sets out the consolidated balance sheet for Germany at 31 December 2010, compared with the previous year and the total figures for the Consumer Group:

Consolidated Balance Sheet (Germany against the total figures for the Consumer Group)			
<i>(millions of euros)</i>	2010 financial year (unaudited)	2009 financial year (unaudited)	Total 2010 financial year (unaudited)
Loans and advances to customers	20,610.4	21,008.2	48,637.5
Financial assets held for trading (excluding derivatives)	99.5	123.3	145.9
Available-for-sale financial assets	1,479.8	160.1	311.7
Loans and advances to credit institutions	7,962.9	3,057.8	5,376.7
Tangible and intangible assets	1,377.3	1,177.2	2,520.9
Other asset accounts	1,276.0	829.6	3,044.0
Total assets	32,805.9	26,356.1	60,036.6
Customer deposits	22,499.8	17,147.3	24,338.9
Marketable debt securities	2,833.5	2,562.1	10,143.4
Subordinated liabilities	138.9	190.6	1,211.7
Deposits from credit institutions	5,522.8	4,252.5	15,924.6
Other liability accounts	938.1	886.8	2,701.7
Shareholder's equity	4,542.5	(1,594.1)	5,716.3
Total funds under management	36,475.6	23,445.2	60,036.6

SC Germany is the largest business entity within the Consumer Group, representing 41per cent. of all customer loans at the end of 2010 without considering eliminations, with an outstanding amount of €20,610.4 million (net of impairment losses).

Germany contributed 71 per cent. of the total customer funds within the Consumer Group, with funds under management at the end of 2010 in the amount of €25,333.3 million (including both customer deposits of €22,499.8 million and marketable debt securities of €2,833.5 million).

SPAIN

The following table sets out the consolidated balance sheet for Spain at 31 December 2010, compared with the previous year and the total figures for the Consumer Group:

Consolidated Balance Sheet (Spain against the total figures for the Consumer Group)			
<i>(millions of euros)</i>	2010 financial year (unaudited)	2009 financial year (unaudited)	Total 2010 financial year (unaudited)
Loans and advances to customers	8,979.1	10,576.5	48,637.5
Financial assets held for trading (excluding derivatives)	35.5	61.5	145.9
Available-for-sale financial assets	702.2	739.3	311.7
Loans and advances to credit institutions	13,581.0	14,243.2	5,376.7
Tangible and intangible assets	164.7	186.9	2,520.9
Other asset accounts	4,490.0	685.5	3,044.0
Total assets	27,952.5	26,492.9	60,036.6
Customer deposits	287.0	233.2	24,338.9
Marketable debt securities	6,617.9	9,874.8	10,143.4
Subordinated liabilities	689.1	687.0	1,211.7
Deposits from credit institutions	12,444.2	9,864.6	15,924.6
Other liability accounts	758.2	825.1	2,701.7
Shareholders' equity	6,889.1	6,305.9	5,716.3
Total funds under management	27,685.5	27,790.7	60,036.6

The total sum of loans to customers in Spain was €8,979.1 million and accounted for 18 per cent. of the total consolidated portfolio for the Consumer Group at 31 December 2010, without considering intragroup eliminations. And represents a decrease of 15 per cent. compared with 2009.

Spain accounted for 20 per cent. of total customer funds within the Consumer Group, with funds under management at the end of 2010 in the amount of €6,905 million (including both customer deposits of €287.0 million and marketable debt securities of €6,617.9 million).

ITALY

The following table sets out the consolidated balance sheet for Italy at 31 December 2010, compared with the previous year and the total figures for the Consumer Group:

Consolidated Balance Sheet (Italy against the total figures for the Consumer Group)			
<i>(millions of euros)</i>	2010 financial year (unaudited)	2009 financial year (unaudited)	Total 2010 financial year (unaudited)
Loans and advances to customers	7,666.5	7,696.3	48,637.5
Financial assets held for trading (excluding derivatives)	6.2	7.1	145.9
Available-for-sale financial assets	475.1	-	311.7
Loans and advances to credit institutions	199.5	859.6	5,376.7
Tangible and intangible assets	264.6	263.5	2,520.9
Other asset accounts	288.0	269.9	3,044.0
Total assets	8,899.9	9,096.3	60,036.6
Customer deposits	443.4	421.6	24,338.9
Marketable debt securities	1,500.5	2,174.3	10,143.4
Subordinated liabilities	309.6	295.3	1,211.7
Deposits from credit institutions	5,792.0	5,331.5	15,924.6
Other liability accounts	322.1	268.9	2,701.7
Shareholders' equity	683.3	134.8	5,716.3
Total funds under management	9,050.9	8,626.5	60,036.6

Italy represents 16 per cent. of the Consumer Group's customer loans, with loans amounting to €7,666.5 million at the end of 2010.

Italy accounted for 5.6 per cent. of the Consumer Group's customer funds, with funds on balance sheet at the end of 2010 valued at €1,943.9 million (including customer deposits of €443.4 million and marketable debt securities of €1,500.5 million).

SCANDINAVIA

The following table sets out the consolidated balance sheet for Scandinavia at 31 December 2010, compared with the previous year and the total figures for the Consumer Group:

Consolidated Balance Sheet (Scandinavia against the total figures for the Consumer Group)			
<i>(millions of euros)</i>	2010 financial year (unaudited)	2009 financial year (unaudited)	Total 2010 financial year (unaudited)
Loans and advances to customers	6,270.1	5,344.2	48,637.5
Financial assets held for trading (excluding derivatives)	-	-	145.9
Available-for-sale financial assets	0.5	0.6	311.7
Loans and advances to credit institutions	11.3	21.2	5,376.7
Tangible and intangible assets	271.7	257.3	2,520.9
Other asset accounts	122.5	113.6	3,044.0
Total assets	6,676.2	5,736.8	60,036.6
Customer deposits	36.5	53.8	24,338.9
Marketable debt securities	165.1	-	10,143.4
Subordinated liabilities	84.1	71.4	1,211.7
Deposits from credit institutions	5,510.9	4,001.1	15,924.6
Other liability accounts	167.0	149.6	2,701.7
Shareholders' equity	886.0	182.6	5,716.3
Total funds under management	6,849.5	4,458.4	60,036.6

The Scandinavian loans to customer portfolio of €6,270.1 million represents 12.9 per cent. of the Consumer Group's consolidated portfolio at December 2010 without considering intragroup eliminations, an increase of 17.3 per cent. in comparison to 2009. It has a residual portion of customer deposits of €36.5 million.

REST OF EUROPE

The following table sets out the consolidated balance sheet for the Rest of Europe at 31 December 2010, compared with the figures of previous year and the total figures for the Consumer Group:

Consolidated Balance Sheet (Rest of Europe against the total figures for the Consumer Group)			
<i>(millions of euros)</i>	2010 financial year (unaudited)	2009 financial year (unaudited)	Total 2010 financial year (unaudited)
Loans and advances to customers	6,712.6	5,547.0	48,637.5
Financial assets held for trading (excluding derivatives)	14.1	5.4	145.9
Available-for-sale financial assets	198.8	5.7	311.7
Loans and advances to credit institutions	164.4	199.8	5,376.7
Tangible and intangible assets	440.5	482.5	2,520.9
Other asset accounts	336.9	190.9	3,044.0
Total assets	7,867.3	6,431.2	60,036.6
Customer deposits	1,072.2	92.0	24,338.9
Marketable debt securities	205.6	1.8	10,143.4
Subordinated liabilities	38.3	36.5	1,211.7
Deposits from credit institutions	3,071.0	3,603.8	15,924.6
Other liability accounts	359.0	260.8	2,701.7
Shareholders' equity	1,387.4	999.6	5,716.3
Total funds under management	6,133.4	4,994.4	60,036.6

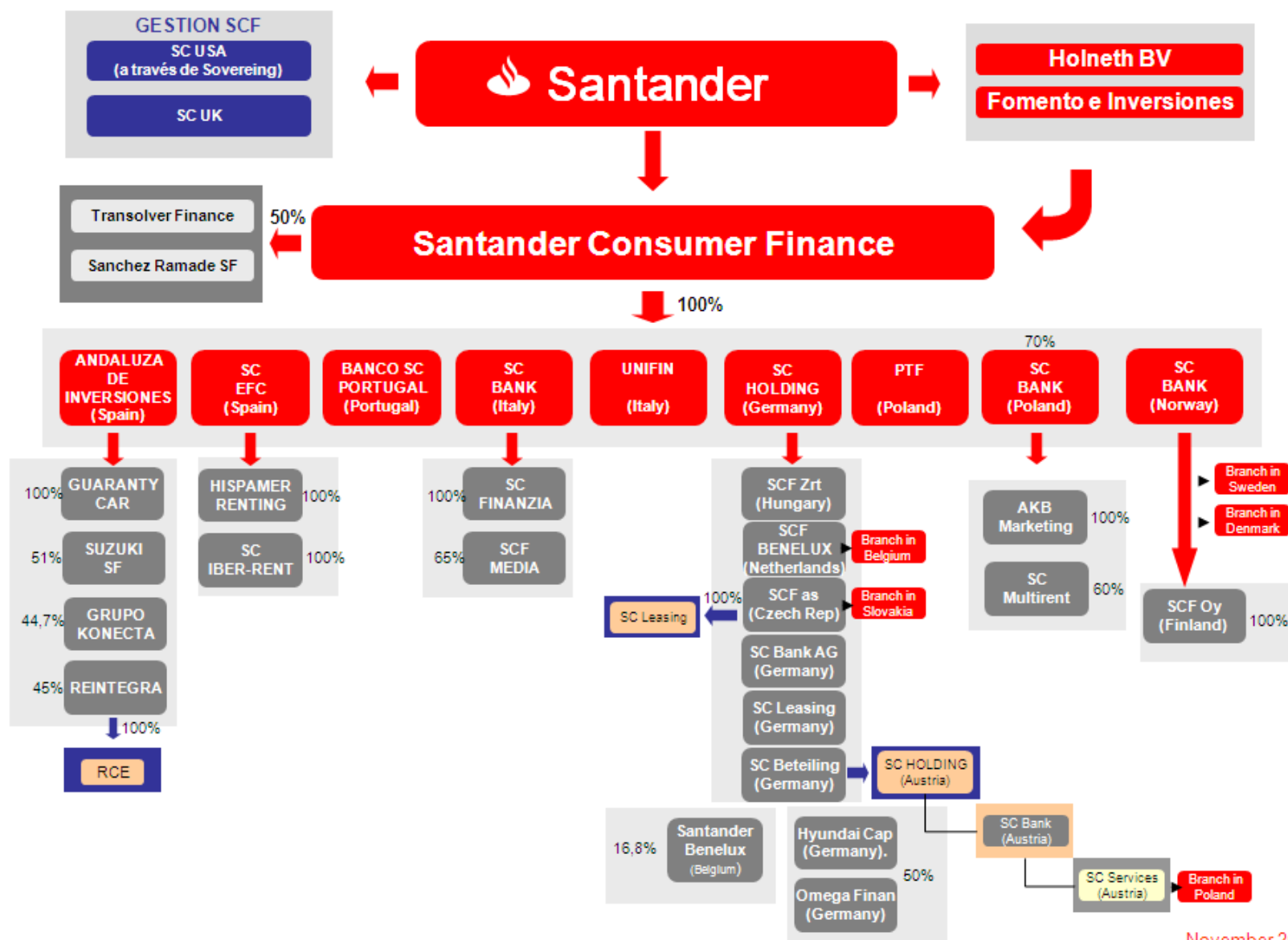
This area includes all of the countries where the Issuer is present, except Spain, Germany, Italy and Scandinavia, as well as relevant subsidiaries. It includes Poland, Portugal, Austria, Netherlands, Czech Republic and Hungary.

Organisational Structure

The Issuer is the parent company of a group of companies providing consumer finance services within the Santander Group,

The growth experienced by the Consumer Group in recent years has resulted in the Issuer acting, in addition to its consumer-financing role, as shareholder of different Consumer Group companies.

The diagram below summarises the structure of the Consumer Group at April 2011:



Recent Developments

The most significant acquisitions and disposals of investments in Consumer Group entities and other relevant corporate transactions in the first half of 2011 and for the years 2010 and 2009 were as follows:

Skandinaviska Enskilda Banken's commercial banking business (SEB Germany)

On 12 July 2010, an announcement was made by Santander Group regarding the agreement entered into with Skandinaviska Enskilda Banken (SEB Group) for the acquisition by the Germany subsidiary Santander Consumer Bank AG of SEB's commercial banking business in Germany. As a result of the acquisitions of this business, which comprises 173 branches and offers services to a million customers, the number of Santander Consumer Bank AG branches in Germany almost doubled and the Consumer Group's headcount increased by approximately 2,200. Once the relevant regulatory approvals had been obtained, the transaction was completed on 31 January 2011 for EUR 494 million (EUR 555 million less certain adjustments made to the acquisition price agreed upon by the parties), subject to such adjustments as might arise after the review of the net assets acquired.

The estimated fair value of the assets acquired and liabilities assumed by type, at the date when the business combination was effected, is as follows:

	31 January 2011 <i>(millions of euros)</i> <i>(audited)</i>
Cash	61
Loans to customers (*)	8.048
Tangible assets	6
Other assets	14
	8.129
Financial liabilities at amortised cost-	
Deposits from credit institutions	710
Customer deposits	4.486
Other financing	2.544
	7.740
Provisions (**)	85
Other liabilities	32
	7.857
Fair value of the net assets acquired	272

(*) Of which approximately 83% relate to mortgage loans and the remainder to consumer loans. The estimate of fair value includes impairment losses of €190 million on the acquired loans.

(**) Of which approximately €66 million relate to pension funds.

As a result, this business combination gave rise to the recognition of goodwill amounting to €22.106 thousand. At June 2011 the definitive recognition at fair value of the assets and liabilities acquired was still pending and, therefore, the amounts indicated above are provisional. In accordance with current legislation, the Consumer Group has one year from the acquisition date, in which to make the final adjustment.

Unifin, S.p.A.

On 11 March 2006, the Issuer wrote a put option on 30 per cent. of the share capital of Unifin, S.p.A. in favour of this company's non-controlling shareholders. Simultaneously, these shareholders wrote a call option on 30 per cent. of the share capital of this company in favour of the Issuer, the price of which was subject to the growth in this company's assets over the coming years, but would in no case be lower than the price per share paid by the Issuer to acquire its controlling interest in Unifin, S.p.A. These options were exercised on 11 June 2009, whereby the Issuer acquired 30 per cent. of the share capital of this investee for €22 million and, accordingly, its ownership interest rose to 100 per cent. of its share capital. This acquisition gave rise to goodwill amounting to €13.557 million, which was recognised under "Intangible Assets – Goodwill" in the consolidated balance sheet at 31 December 2010.

GE Money

In January 2009 the subsidiaries Santander Consumer Holding GmbH (Germany) and Santander Consumer Bank AS (Norway) acquired the entire share capital of GE Money Bank GmbH (Austria) and GE Money Oy (Finland) -which subsequently changed its name to SCF Rahoitus Oy- for €835.916 thousand and €23.512 thousand, respectively. These acquisitions gave rise to goodwill of €98.074 thousand, in the case of GE Money Bank GmbH (Austria), and of €42.095 thousand, in the case of SCF Rahoitus Oy (Finland), and these amounts were recognised under "Intangible Assets – Goodwill" in the consolidated balance sheet at 31 December 2009. On 30 November 2010, the merger by absorption of SCF Rahoitus Oy (absorbed company) into Santander Consumer Finance Oy (absorbing company) was executed.

Also, as a result of the acquisition of GE Money Bank GmbH and GE Capital Deutschland GmbH in 2008, the Consumer Group reorganised its investments in Germany. In this respect, at its meeting of 22 January 2009, Santander Consumer Finance's Executive Committee authorised the merger by absorption of GE Money Bank GmbH (the absorbed entity) into Santander Consumer Bank AG (the absorbing entity). Also, on the same date, the Executive Committee authorised the merger by absorption of Santander Consumer Finance Germany GmbH and GE Capital Deutschland GmbH (the absorbed entities) into Santander Consumer Holding GmbH (the absorbing entity). These mergers were formally executed on 1 July 2009.

On the same date, the Consumer Group sold all of the share capital of General Electric Money Services GmbH to Geoban, S.A. (a Santander Group entity) for € 3.740 thousand. The Issuer's directors considered that this transaction, which was performed based on the report prepared by an independent expert, was carried out under conditions similar to those prevailing in arm's-length transactions. The loss incurred on this sale amounted to € 980

thousand and was recognised under “Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale” in the consolidated income statement for 2009.

In addition, on 30 April 2009, the subsidiary Santander Consumer (UK) PLC acquired from GE Capital Bank Limited a line of business consisting mainly of a portfolio of consumer finance loans and vehicle finance lease transactions, for approximately GBP 1.100,983 thousand.

On 11 March 2010, the Issuer paid €160.000 thousand to General Electric Capital Corporation in connection with the adjustment of the purchase price of General Electric Capital Deutschland GmbH.

AIG Bank, S.A. and AIG Credit (Poland)

In 2010 the Polish subsidiary Santander Consumer Bank S.A. (Poland) combined its business with AIG Bank Polska S.A., an AIG Group consumer finance entity, in order to strengthen the Consumer Group’s consumer finance operations in Poland by obtaining synergies from the complementary nature of the two entities’ core activities: vehicle financing in the case of Santander Consumer Bank S.A. (Poland), and personal loans, credit cards and deposits in the case of AIG Bank Polska S.A.

This business combination was carried out through a capital increase at Santander Consumer Bank S.A. (Poland) on 8 June 2010, in which 1,560,000 shares of PLN 100 par value each were issued. This capital increase was fully subscribed by AIG Consumer Finance Group Inc. through a non-monetary contribution of 11,177,088 shares of AIG Bank Polska S.A., representing 99.92 per cent. of its share capital. Following this capital increase AIG Consumer Finance Group Inc. now holds an ownership interest of 30 per cent. in the share capital of Santander Consumer Bank S.A. (Poland) and 25 per cent. of its voting power. Also, in 2010 Santander Consumer Bank S.A. (Poland) acquired the remaining 0.08 per cent. of the share capital of AIG Bank Polska S.A. for PLN 1,000,000.

The fair value of the aforementioned capital increase, using generally accepted measurement methods, was estimated at approximately PLN 456 million (EUR 112 million), and no contingent consideration was agreed upon the parties.

The fair value of the assets acquired and liabilities assumed at the date of the business combination, broken down by the nature of the related items, was as follows:

<i>(millions of Polish Zlotys)</i>	8 June 2010 <i>(audited)</i>
Cash and balances with central banks	181
Loans and advances to customers (loans)	3,090
Debt instruments	1,568
Tangible and intangible assets	94
Other assets	438
	5,371
Financial liabilities at amortised cost	(4,748)
Provisions (*)	(128)
Other liabilities	(39)
	(4,915)
Fair value of net assets acquired	456

(*) The directors of the Issuer consider that there are no contingent liabilities to be recognised following the execution of this business combination that had not already been recognised by the acquiree in its financial statements prepared in accordance with EU-IFRSs.

This business combination did not give rise to the recognition of any goodwill in the consolidated balance sheet at 31 December 2010 and the direct costs associated with the combination amounted to EUR 1,266 thousand, which are recognised under “Administrative Expenses – Other General Administrative Expenses” in the consolidated income statement for 2010.

The amount recognised under “Non-Controlling Interests” in the consolidated balance sheet on the date of the business combination was PLN 414 million (EUR 103 million). This amount was calculated on the basis of the equity of Santander Consumer Bank, S.A. held by third parties following the execution of this business combination.

From the date of its inclusion in the Consumer Group, AIG Bank Polska S.A. contributed EUR 106,747 thousand and EUR 163,619 thousand, respectively, to “Net Interest Income” and “Gross Income” in the Consumer Group's consolidated income statement. Additionally, as reflected in the financial statements of this subsidiary prepared in accordance with EU-IFRSs, its net interest income and gross income for 2010 amounted to EUR 166,780 thousand and EUR 258,527 thousand, respectively.

The definitive recognition, at fair value, of the assets and liabilities acquired is still pending and, therefore, the amounts indicated above are provisional. In accordance with current legislation, the Consumer Group has one year in which to make the final adjustments. However, it does not expect any material differences to arise.

On 1 March 2011, the merger by absorption of Santander Consumer Bank S.A. (Poland) (absorbing company) and AIG Bank Polska S.A. (absorbed company) was executed.

Open Bank Santander Consumer, S.A

On 30 September 2009, the Issuer sold all of the share capital held in Open Bank Santander Consumer, S.A. to Banco Santander, S.A. for €168,000,000. This amount was based on the report prepared by an independent expert, and the transaction was carried out under conditions similar to those prevailing in arm's length transactions. The gain obtained on this sale amounted to €74,564,000 and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2009.

Isban DE, GmbH

In 2009, the Consumer Group received €5,927,000 relating to the settlement of the sale of 100 per cent. of the share capital of Isban DE GmbH to Ingeniería de Software Bancario, S.L., a Santander Group subsidiary. The gain arising from this settlement was recognised under "Gains (Losses) on Disposal of Assets not Classified as Non-Current Assets Held for Sale" in the accompanying consolidated income statement for 2009.

JSC Santander Consumer Bank

At its meeting held on 3 February 2010, the Issuer's Executive Committee resolved to discontinue the Consumer Group's activities in Russia, and to take the steps required to sell the ownership interest in JSC Santander Consumer Bank. As a result, on 31 August 2010 the Issuer resolved to sell, subject to compliance with certain conditions, its ownership interest in this subsidiary to non-Group third parties. The sale was executed on 9 December 2010 for RUB 1,340 million (EUR 32,777 thousand). The loss incurred on this sale amounted to EUR 13,782 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in consolidated income statement for 2010.

Santander Consumer (UK), plc

In November 2010 the Issuer sold its 50.1 per cent. ownership interest in the share capital of Santander Consumer (UK), plc to Santander UK plc, a Santander Group company, for GBP 185,500 thousand (EUR 218,056 thousand). This transaction was carried out under conditions similar to those prevailing in transactions between independent third parties, determined on the basis of an appraisal that was reviewed by an independent expert. The gain obtained on this sale amounted to EUR 101,285 thousand and is recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the consolidated income statement for 2010.

Other disclosures

Reorganisation of Santander Consumer Benelux

On 16 March 2009, the Executive Committee of Santander Consumer Finance authorised the merger of Santander Consumer Finance Benelux B.V. and Santander Consumer Finance, B.V. This merger was formally executed on 3 June 2009.

Capital increases

Furthermore, in 2010 and 2009 certain investees carried out capital increases which were fully subscribed and paid, as follows:

	<i>(Millions of euros)</i> ^(*)	
	2010 (audited)	2009 (audited)
Transolver Finance, E.F.C., S.A.	5	-
Santander Consumer, E.F.C., S.A.	90	245
Santander Consumer Bank, S.p.A. (Italy)	40	85
Open Bank Santander Consumer, S.A.	-	16
Unifin, S.p.A. (Italy)	10	5
Santander Consumer (UK) Plc.	-	39
Accordfin España, E.F.C., S.A. (Spain)	-	9
Santander Consumer Bank, S.A. (Poland)	-	36
Santander Consumer Bank, A.S. (Norway)	143	-
Santander Consumer Finance Oy (Finland)	24	-
AIG Bank Polska Spółka Akcyjna	7	-
	319	435

(*) Includes only the disbursements made by the Consumer Group in these capital increases.

Other corporate transactions

The merger by absorption of the subsidiaries Santander Consumer Bank S.A. (Poland) (absorbing company) and AIG Bank Polska S.A. (absorbed company) was formalised on 1 March 2011.

Notifications of acquisitions of investments

The notifications made by the Issuer, in compliance with Article 86 of the Spanish Public Limited Liability Companies Law, of the acquisition and sale of holdings in investees are listed in Appendix III of the Consolidated Financial Statements and Director's Report for the year ended 31 December 2010.

Events after the interim reporting period

On 23 March 2011, the subsidiary Santander Consumer Iber-rent S.L. agreed to sell all the shares of the Portuguese company Multirent- Aluguer e Comércio de Automóveis, S.A. to non-Group third parties for EUR 22,000 thousand. This sale was subject to the fulfilment of certain conditions precedent which had been met at 5 July 2011.

Administrative, Management and Supervisory Bodies

The Issuer's Board of Directors, in accordance with its corporate by-laws (estatutos sociales), is comprised of no less than five and no more than fifteen members appointed by the General

Meeting of shareholders for a one-year term and re-elected as applicable for further one-year terms. Members of the Board of Directors may not necessarily be shareholders, except in the event that vacancies on the Board of Directors arise during the interval between General Meetings, in which case, the relevant vacancy is typically filled by the Board of Directors itself by co-opting the shareholders.

As at the date of this Base Prospectus, the Board of Directors of the Issuer was comprised of nine members, excluding its Non-Director Secretary, as set out in the table below:

<u>Board of Directors of Santander Consumer Finance, S.A.</u>		<u>Appointment Date</u>
Chairman	Mr. Antonio Escámez Torres	4 February 2010
Vice-Chairperson	Ms. Magda Salarich Fernández de Valderrama	4 February 2010
General Director	Mr. Francisco Javier San Félix García	4 February 2010
General Director	Ms. Inés Serrano González	4 February 2010
Director	Mr. José Antonio Alvarez Alvarez	4 February 2010
Director	Mr. José María Espí Martínez	4 February 2010
Director	Mr. Juan Rodríguez Inciarte	4 February 2010
Director	Mr. David Turiel López	4 February 2010
Director	Mr. Ernesto Zulueta Benito	4 February 2010
Non-Director Secretary	Mr. Fernando García Solé	22 July 1999

The principal outside activities carried out by members of the Board of Directors at the date of this Base Prospectus included:

<u>Directors</u>	<u>Company Name</u>	<u>Functions</u>
Antonio Escámez Torres	Banco Santander, S.A.	Director
	Open Bank, S.A.	Chairman
	Arena Media Communications España, S.A.	Chairman
	Attijariwafa Bank, Société Anonyme	Vice Chairman
	Konecta Activos Inmobiliarios, S.L.	Vice Chairman
	Grupo Konectanet, S.L.	Vice Chairman
	Fundación Consejo España-India	President
	Fundación Banco Santander	President
	Fundación Konecta	President

Directors	Company Name	Functions
	Tarazona Once, S.L	President
Magda Salarich Fernández de Valderrama	Banco Banif, S.A. Santander Consumer Bank AG Banco Santander, S.A.	Director Vice President General Director
Francisco Javier San Félix García	Santander Consumer Bank, S.A. (Poland) Santander Consume Bank AS (Norway) Santander Consumer Vinance Zrt (Hungary) Santander Consumer UK Polskie Towarzystwo Finansowe Santander Consumer USA Santander Consume Bank AS (Czech Republic)	Vice President President President President Director Director President
Inés Serrano González	Santander Consumer, E.F.C., S.A. Tansolver Finance, E.F.C., S.A. Unifin, S.p.A. Santander Consumer Bank AG Santander Consumer Bank, S.p.A. Banco Santander Consumer Portugal	Chairperson Representative of Santander Consumer Finance, S.A. Director Director Vice President Chairperson
José Antonio Alvarez Alvarez	Banco Santander, S.A. Open Bank Santander Consumer, S.A. Bolsas y Mercados Españoles, Soc. Holding Merc. Sist. Financ. Santander de Titulización, SFGT, S.A. Santander Consumer Bank AG Banco Santander (Brasil) Santander Global Property, S.L.	General Director Director Director Chairman Director Director Director
José María Espí Martínez	Unión de Credito Inmobiliario, S.A. Santander Lease, S.A. EFC Unión de Créditos Inmobiliarios, S.A. EFC Equifax Iberica, S.L. Garozco 2000 Simcav, S.A.	Director Chairman Chairman Director Chairman
Juan Rodríguez Inciarte	Banco Santander, S.A. Banco Banif, S.A. JCF Services, Co LLC	Director Director Member of the

Directors	Company Name	Functions
	Saarema Inversiones, S.A. Vista Capital de Expansión, S.A. Santander UK PLC Alliance & Leicester Plc RFS Holdings, B.V. Saarema Sociedad Promotora de Centros Residenciales, S.L.	External Advisory Committee Director Director Vice Chairman Director Director Director
David Turiel López	Santander Consumer, E.F.C., S.A. Santander Consumer Bank, S.A. (Poland) Poskie Towarzystwo Finansowe Banco Santander Consumer Portugal Santander Consumer Bank, S.p.A.	Director Director Director Director Director
Ernesto Zulueta Benito	Santander Consumer Bank, S.p.A. Santander Consumer Bank, S.A. (Poland) Santander Consumer Zrt (Hungary) Santander Consumer USA	Director Director Director Director
Fernando García Solé	Reintegra, S.A. Poskie Towarzystwo Finansowe	Secretary Director

The Board of Directors has extensive powers to manage, administer and govern all matters related to the Issuer's business, subject only to any powers exercisable solely by the General Meeting of shareholders.

The Board of Directors meets at least once every three months and may meet more frequently in certain circumstances.

A Director of the Issuer may have other duties in the Issuer or on the Board of Directors, through which remuneration may be received.

All of the Directors are appointed by the Santander Group, owner of 100 per cent. of the Issuer's shares, at the General Meeting of shareholders.

The Executive Committee of the Issuer's Board of Directors has been delegated all of the Board's powers, except those that cannot be delegated. At the date of this Base Prospectus, the Executive Committee is made up of Mr. Antonio Escámez Torres, as Chairman, Ms. Magda Salarich Fernández de Valderrama, as Vice-Chairperson and Mr. José María Espí

Martínez, Mr. Ernesto Zulueta Benito, Mr. Javier San Félix and Ms. Inés Serrano as Board Members, and Mr. Fernando García Solé as its Secretary.

The professional address of the Issuer's management is Ciudad Grupo Santander, Avenida de Cantabria sin número, Boadilla del Monte (Madrid, Spain).

In accordance with Law 44/2002 dated 22 November, which amended Law 24/1988 dated 28 July, and which regulates the securities market, the General Meeting of shareholders of the Issuer, as well as its Board of Directors, has appointed the Auditing Committee of Banco Santander to also act as its Auditing Committee. The Auditing Committee was created primarily in order to evaluate the systems in place for information control and accounts oversight, to safeguard the independence of the accounts auditor and to review the control and compliance systems of Santander Consumer whilst reporting to the Board of Directors on its conduct and findings of these matters. The committee is composed of no less than three and no more than seven members (at the date of this Base Prospectus there are 5 members: Fernando de Asúa Álvarez, Rodrigo Echenique Gordillo, Abel Matutes Juan, Luis Alberto Salazar Simpson Bos, and its chairman is Manuel Soto Serrano; the secretary (not a member) is Ignacio Benjumea Cabeza de Vaca).

Members of the Audit and Compliance Committee are selected by the Board with reference to their knowledge, aptitude and experience in accounting, auditing and risk management matters. The Audit and Compliance Committee must be chaired by an independent member of the Board who must have knowledge and experience in accounting, auditing and risk management. Currently it is Manuel Soto Serrano. All the current members of the committee are external and independent.

Major Shareholders

The Issuer is part of the Santander Group, which is the owner of 100 per cent. of its share capital. At the date of this Base Prospectus, Banco Santander, the Issuer's largest shareholder and the parent company of the Santander Group, held 63.19 per cent. of the Issuer's shares directly. The remaining shares were held indirectly by Holneth B.V. (25 per cent.) and Fomento de Inversiones, S.A. (11.81 per cent.), each companies within the Santander Group.

At 31 December 2007, the Issuer's share capital consisted of 332,071,008 fully subscribed and paid registered shares of €3 par value each, all with the same voting and dividend rights.

On 26 December 2007, the shareholders at the Extraordinary General Meeting of the Issuer resolved to increase capital by €199,950,000 by issuing at par 66,650,000 ordinary shares of €3 par value each. This capital increase was fully subscribed and paid by the shareholders on 28 December 2007, and it was executed in a public deed on 11 January 2008 and registered in the Mercantile Register on 7 February 2008.

On 26 May 2008, the shareholders at the Extraordinary General Meeting of the Issuer resolved to increase capital by €599,978,556 by issuing at par 199,992,852 ordinary shares of €3 par value each. This capital increase was fully subscribed and paid by Banco Santander through the non-monetary contribution of 12,198 bonds issued in euros by Golden Bar

(securitisation) S.r.l., of €50,000 par value each and maturing on 20 November 2024, which relate to series A of the securitisation called "Golden Bar (securitisation) S.r.l. - Series 1 - 2008". The value of these bonds, based on the report prepared by an independent expert, under its responsibility, does not differ substantially from the amount of the capital increase carried out by the Issuer. This capital increase was executed in a public deed on 4 June 2008 and registered in the Mercantile Register on 17 June 2008. On 30 June 2008, Banco Santander sold 49,998,213 shares to Holneth B.V. and 23,613,145 shares to Fomento de Inversiones, S.A. so that these shareholders would maintain the percentage of ownership held by them in the Issuer's share capital before the capital increase.

On 4 March 2009, the Extraordinary General Meeting of the Issuer resolved to increase capital by €1,195,480,000 by issuing at par 398,493,428 ordinary shares of €3 par value each. This capital increase was fully subscribed and paid by Banco Santander, S.A., through a non-monetary contribution consisting of four loans granted by Banco Santander, S.A. to the subsidiaries SC Holding GmbH (Germany), GE Money Bank GmbH (Austria), Santander Consumer Bank S.A. (Poland) and Santander Consumer Bank A.S. (Norway), for the ordinary financing of their business, together with two cross currency swaps associated with the last two aforementioned loans, which are not denominated in euros. The value of these loans, based on the report prepared by an independent expert, does not differ substantially from the amount of the capital increase carried out by the Issuer. This capital increase was executed in a public deed on 5 March 2009 and registered in the Mercantile Register on 18 March 2009.

On 30 and 31 March 2009, Banco Santander, S.A. sold 99,623,357 shares to Holneth B.V. and 47,050,097 shares to Fomento de Inversiones, S.A. so that these shareholders would maintain the percentage of ownership held by them in the Issuer's share capital before the capital increase.

On 8 April 2010, the shareholders at the Extraordinary General Meeting of the Issuer resolved to increase capital by EUR 362,016,636 by issuing at par 120,672,212 ordinary shares of EUR 3 par value each. The capital increase was subscribed and paid in full by Banco Santander, S.A. through a non-monetary contribution comprising two euro-denominated loans granted by Banco Santander, S.A. to the subsidiary Santander Consumer Bank, S.p.A. for the ordinary financing of its business. According to a report prepared by an independent expert, under its responsibility, the value of these loans is not substantially different from the amount by which the Issuer increased its capital. This capital increase was executed in a public deed dated 27 April 2010, which was registered in the Mercantile Register on 4 May 2010.

On 16 December 2010, the Issuer's share capital, the only capital included as a result of consolidation in the accompanying condensed consolidated balance sheet at that date, consisted of 1,284,546,168 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights. The Issuer's shareholders at that date were as follows:

At 31 December 2010, the Issuer's shareholders were as follows:

	Percentage of Ownership
Banco Santander, S.A.	63.19%
Holneth, B.V. (*)	25.00%
Fomento e Inversiones, S.A. (*)	11.81%
Total:	100.00%

(*) Santander Group companies.

On 1 May 2011, the shareholders at the Extraordinary General Meeting of the Issuer resolved to increase capital by EUR 500,000,004 by issuing at par 166,666,668 ordinary shares of EUR 3 par value each. The capital increase, which was subscribed and paid in full by the shareholders of the Issuer, was executed in a public deed dated 21 May 2011, which was registered in the Mercantile Register on 7 June 2011.

Consequently, at 30 June 2011 the Issuer's share capital, the only capital included as a result of consolidation in the accompanying condensed consolidated balance sheet at that date, consisted of 1,451,212,836 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights. The Issuer's shareholders at that date were as follows:

	Percentage of Ownership
Banco Santander, S.A.	63.19%
Holneth, B.V. (*)	25.00%
Fomento e Inversiones, S.A. (*)	11.81%
Total:	100.00%

(*) Santander Group companies

Conflicts of Interest

There exist no conflicts of interest between the administrative, management and supervisory bodies of the Issuer and there exist no potential conflicts of interest between any duties to the issuing entity of any members of such administrative, management or supervisory bodies and their private interests and/or other duties.

Corporate Governance

The Issuer's corporate purpose is to receive funds from the public in the form of deposits, loans, the temporary assignment of financial or similar assets entailing the obligation of repayment, applying them for its own account to the granting of credits or transactions of a similar nature and, as an industrial and merchant bank, it may undertake the operations or activities envisaged at any time by the legislation applicable to industrial and merchant banks, as set out at Article 2 of the *Estatutos de la Sociedad* of Santander Consumer Finance, S.A.

Litigation

There are not any and have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or the Consumer Group's financial position or profitability.

Credit Rating

The Issuer has been assigned long term credit ratings in relation to senior unsubordinated debt to be issued under the Programme of A3 by Moody's Investor Service España, S.A ("Moody's"), AA- by Fitch Ratings España, S.A.U. ("Fitch") and AA- by Standard & Poor's Credit Market Services Europe Limited ("S&P").

Selected Financial Information relating to Santander Consumer Finance, S.A,

The following tables set out in summary form balance sheet and income statement information relating to the Issuer. Such information is derived from the audited consolidated and unconsolidated financial statements of the Issuer as at and for the six months ended 30 June 2011 and 30 June 2010 for the Profit and Loss account figure purposes, and from the audited consolidated and unconsolidated financial statements of the Issuer as at and for the six months ended 30 June 2011 and 31 December 2010 for the Balance Sheet account figures purposes. The Issuer's financial statements included in this Base Prospectus have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU. Such financial statements, together with the reports of Deloitte, S.L. and the accompanying notes, appear elsewhere in this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

	As at and for the six-month period ended:		
<i>(millions of euros)</i>	30 June 2011	30 June 2010	Variation (%)
Income Statements			
Profit before taxes	433	269	61%
Net Profit	299	185	62%
Attributable profit to the Consumer Group	285	173	65%

	As at and for the year ended:		
<i>(millions of euros)</i>	31 December 2010	31 December 2009	Variation (%)
Income Statements			
Profit before taxes	542	250	117%
Net Profit	401	151	166%
Attributable profit to the Consumer Group	345	101	242%

<i>(millions of euros)</i>	30 June 2011	31 December 2010	Variation (%)
Balance sheet			
Total assets	69,556	60,037	16%
Customer loans	56,856	48,637	17%
Shareholders' equity	6,502	5,716	14%

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Taxation in Spain

1. Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this document:

- (1) of general application, Additional Provision Two of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005, of 18 November on certain tax measures to promote productivity, and Law 4/2008, of 23 December, that abolishes the Net Wealth Tax, generalizes the VAT monthly refund system and introduces other tax measures, as well as Royal Decree 1065/2007 of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011, of 29 July;
- (2) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("**IIT**"), Law 35/2006 of 28 November, on the IIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, and Royal Decree 439/2007 of 30 March promulgating the IIT Regulations, along with Law 29/1987, of 18 December on the Inheritance and Gift Tax;
- (3) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the CIT Law, and Royal Decree 1777/2004, of 30 July promulgating the CIT Regulations; and
- (4) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the NRIT Law, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, along with Law 29/1987, of 18 December on the Inheritance and Gift Tax.

Whatever the nature and residence of the Beneficial Owner, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

2. Individuals with Tax Residency in Spain

2.1 Individual Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Both interest payments periodically received and income derived from the transfer, redemption or exchange of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law and taxed at a flat rate of 19 per cent. on the first €6,000 and 21 per cent. for any amount in excess of €6,000.

According to Section 44.5 of Royal Decree 1065/2007, of 27 July as amended by Royal Decree 1145/2011, of 29 July, and in the opinion of the Issuer, the Issuer will pay interest without withholding to individual Bondholders who are resident for tax purposes in Spain provided that the information about the Notes required by Exhibit I is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation. In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

However, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent. which will be made by the depositary or custodian.

2.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain are subject to Wealth Tax on tax years 2011 and 2012 to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31 December in each of the years 2011 and 2012, the applicable rates ranging between 0.2 per cent. and 2.5 per cent..

2.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable tax rates currently range between 7.65 per cent. and 81.6 per cent. depending on relevant factors.

3. **Legal Entities with Tax Residency in Spain**

3.1 **Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general tax rate of 30 per cent.) in accordance with the rules for this tax.

In accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July as amended by Royal Decree 1145/2011, of 29 July, and in the opinion of the Issuer, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold tax on interest payments to Spanish CIT taxpayers provided that the information about the Notes required by Exhibit I is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation.

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent., withholding that will be made by the depositary or custodian, if the Notes do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (Dirección General de Tributos) dated 27 July 2004 and require a withholding to be made.

3.2 **Net Wealth Tax (*Impuesto sobre el Patrimonio*)**

Legal entities resident in Spain for tax purposes are not subject to Wealth Tax.

3.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for Spanish CIT purposes.

4. **Individuals and Legal Entities with no Tax Residency in Spain**

4.1 **Non-Resident Income Tax (*Impuesto sobre la Renta de no Residentes*)**

(a) *With permanent establishment in Spain*

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers. See "*Taxation in Spain—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*". Ownership of the

Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

(b) *With no permanent establishment in Spain*

Both interest payments received periodically and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner detailed under “—Information about the Notes in Connection with Payments” as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied with in the manner indicated, the Issuer will withhold 19 per cent. and the Issuer will not pay additional amounts.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer does not timely receive the information about the Notes in accordance with the procedure described in detail as set forth in Exhibit I hereto would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non Resident Income Tax Law.

4.2 **Net Wealth Tax (*Impuesto sobre el Patrimonio*)**

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent..

4.3 **Inheritance And Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over Notes by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and state rules, unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant double tax treaty will apply.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), except as provided in any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Holder.

5. Tax Rules for Notes not Listed on an Organized Market in an OECD Country

5.1 Withholding on Account of IIT, CIT and NRIT

If the Notes are not listed on an organized market in an OECD country on any Payment Date, payments to Holders in respect of the Notes will be subject to withholding tax at the current rate of 19 per cent., except in the case of Holders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, provided that such Holders (i) do not obtain the interest income on the Notes through a permanent establishment in Spain and (ii) are not resident of, or are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991, of 5 July, as amended) or (b) resident for tax purposes of a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to interest payable to any Holder.

5.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)

See "*Taxation in Spain-Individuals with Tax Residency in Spain — Net Wealth Tax (Impuesto sobre el Patrimonio)*".

6. Information About the Notes in Connection with Interest Payments

As described above, interest and other income paid with respect to the Notes will not be subject to Spanish withholding tax unless the procedures for delivering to the Issuer the information described in Exhibit I of this Base Prospectus are not complied with.

In this regard, Law 4/2008, of 23 December has modified section 3 of the second additional provision of Law 13/1985, reducing the scope of the information that must be submitted by the Issuer to the Spanish tax authorities.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007 ("**Section 44**").

In accordance with Section 44, for the purpose of preparing the annual return to be filed with the Spanish tax authorities by the Issuer, the following information with respect to the Notes must be submitted to the Issuer before the close of business on the Business Day (as defined in the Terms and Conditions of the Instrumens) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each, a "**Payment Date**") is due.

Such information comprises:

- (a) the identification of the Notes with respect to which the relevant payment is made;
- (b) the date on which the relevant payment is made;
- (c) the total amount of the relevant payment;

- (d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain.

In particular, the Issue and Paying Agent must certify the information above about the Notes by means of a certificate in the Spanish language, an English language form of which is attached as Exhibit I of this Base Prospectus.

In light of the above, the Issuer and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, the Issuer will withhold tax at the then-applicable rate (currently 19 per cent.) from any payment in respect of the relevant Notes. The Issuer will not pay any additional amounts with respect to any such withholding.

If, before the tenth day of the month following the month in which interest is paid, the Issue and Paying Agent provides such information, the Issuer will reimburse the amounts withheld.

Investors should note that neither the Issuer nor any Dealer accepts any responsibility in the event of the late delivery or, as the case may be, non-delivery by the Issue and Paying agent to the Issuer of a duly completed certificate in the form of Exhibit I. Accordingly, the Issuer will not be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Issuer has not received such certificate at the relevant time or at all. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding. See "*Risk Factors – Risks Relating to the Notes – Risks in Relation to Spanish Taxation*".

Set out below is Exhibit I. The information set out in Exhibit I has been translated from the original Spanish and has been presented in this document in English only as the language of this Base Prospectus is English. However, only the Spanish language text of Exhibit I is recognised under Spanish law. In the event of any discrepancy between the English language translation of the information in Exhibit I appearing herein, and the Spanish language information appearing in the corresponding certificate provided by the Issue and Paying Agent to the Issuer, the Spanish language information shall prevail.

EXHIBIT I

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Mr. (name), with tax identification number (...)⁽¹⁾, in the name and on behalf of (entity), with tax identification number (....)⁽¹⁾ and address in (...) as (function - mark as applicable):

- (a) Management Entity of the Public Debt Market in book entry form.
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Paying Agent appointed by the issuer.

Makes the following statement, according to its own records:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identification of the securities.....

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. In relation to paragraph 5 of Article 44.

2.1 Identification of the securities.....

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)
.....

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

I declare the above in on the.... of of

⁽¹⁾ In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

Taxation in Luxembourg

1. Introduction

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Base Prospectus. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

2. Withholding Tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (a) the application of the Luxembourg laws of 21 June 2005 implementing the EU savings directive (Council Directive 2003/48/EC, the "**EU Savings Directive**") and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (35 per cent. from 1 July 2011) on interest paid to certain Luxembourg non-resident investors (individuals and certain types of entities called "residual entities" as defined in article 4-2 of the EU Savings Directive) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the EU Savings Directive (see section "*EU Savings Directive*" below) or agreements;;
- (b) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. withholding tax on savings income paid by a Luxembourg paying agent (within the meaning of the EU Savings Tax Directive) (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive).

Furthermore, pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a 10 per cent. tax on interest payments made by paying agents located

in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income.

The withholding tax of 10 per cent. as described above are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

3. Taxes on Income and Capital Gains

A holder of a Note who derives income from such Note or who realizes a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains subject to the application of the laws of 21 June 2005 and 23 December 2005 referred to above and, unless:

- (a) such holder is, or is deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions); or
- (b) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg;

4. Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of a Note unless:

- (a) such holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or
- (b) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg;

The law of 23 December 2005 (date of implementation 1 January 2006) abolished net wealth tax for individuals.

5. Inheritance and Gift Tax

Where the Notes are transferred for no consideration, note in particular:

- 5.1 No Luxembourg inheritance tax is levied on the transfer of the Notes upon death of a holder of a Note in cases where the deceased holder was not a resident of Luxembourg for inheritance tax purposes;

- 5.2 Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary; or registered in Luxembourg.

6. **Value Added Tax**

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of Notes. Luxembourg value-added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value-added tax purposes such services are rendered, or are deemed to be rendered in Luxembourg and an exemption from value-added tax does not apply with respect to such services.

7. **Other Taxes and Duties**

It is not compulsory that the Notes be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty (other than court fees and contributions for the registration with the Chamber of Commerce) be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes in accordance therewith, except that in case of court proceedings in a Luxembourg court (including but not limited to a Luxembourg insolvency proceeding), registration of the Notes may be ordered by the court, in which case the Notes will be subject to a fixed or ad valorem duty depending on the exact nature of the Notes. Registration would in principle further be ordered, and the same registration duties could be due, when the Notes are produced, either directly or by way of reference, before an official authority (*autorité constituée*) in Luxembourg.

8. **Residence**

A holder of a Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Note or the execution, performance, delivery and/or enforcement of that or any other Note.

EU Savings Directive

Under the EU Savings Directive on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg will, subject to certain exemptions, apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Danske Bank A/S, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, Skandinaviska Enskilda Banken AB (publ), Société Générale, The Royal Bank of Scotland plc and UBS Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 18 November 2011 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination or appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

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.

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 United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Approved prospectus*: if the Final Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Limited number of offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State 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 each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,
- where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
 - (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has

undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Kingdom of Spain

The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Neither the Notes nor the Base Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Base Prospectus is not intended for any public offer of the Notes in Spain.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) after the date hereof in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by resolutions of the sole shareholder of the Issuer passed on 16 October 2008 and of the Board of Directors of the Issuer passed on 16 October 2008. The update of the Programme was authorised by resolutions of the sole shareholder of the Issuer passed on 28 April 2011 and of the Board of Directors of the Issuer passed on 27 October 2011. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

2. 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 had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer.

Significant/Material Change

3. Save as set out in this Base Prospectus, since 30 June 2010 there has been no significant change in the prospects of the Issuer nor any material adverse change in the financial or trading position of the Issuer.

Auditors

4. The consolidated and unconsolidated financial statements of the Issuer have been audited without qualification for the six months ended 30 June 2011 and the years ended 31 December 2010 and 31 December 2009 by the external audit firm Deloitte, S.L. (formerly Deloitte & Touche España, S.L.) of Plaza Pablo Ruiz Picasso, 1, Madrid, registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*), and member of the *Instituto de Censores Jurados de Cuentas de España*.

No other information relating to the Issuer in this Base Prospectus has been audited by Deloitte S.L.

The audited consolidated and non-consolidated financial statements of the Issuer for each of the years ended 31 December 2010 and 2009 and for the six months ended 30 June 2011 have been filed with the Spanish securities market regulator (*Comisión Nacional del Mercado de Valores*).

Documents on Display

5. Electronic or physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the office of the Issue and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf,

London E14 5LB, United Kingdom, at the registered office of the Issuer for the life of this Base Prospectus:

- (a) the *estatutos* (constitutive documents) of the Issuer;
- (b) English translations of the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2010 and 2009 and the audited consolidated financial statements of the Issuer for the six months ended 30 June 2011;
- (c) the Issue and Paying Agency Agreement;
- (d) the Deed of Covenant;
- (e) the Dealer Agreement;
- (f) the Programme Manual;
- (g) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form);
- (h) the terms and conditions set out on pages 38 to 117 of the base prospectus dated 26 November 2010 relating to the Programme under the heading "Terms and Conditions of the Notes"
- (i) the terms and conditions set out on pages 35 to 113 of the base prospectus dated 25 November 2009 relating to the Programme under the heading "Terms and Conditions of the Notes"; and
- (j) the terms and conditions set out on pages 33 to 111 of the base prospectus dated 27 November 2008 relating to the Programme under the heading "Terms and Conditions of the Notes".

Material Contracts

6. Save as set out under "Santander Consumer Finance, S.A. - Recent Developments" in this Base Prospectus, during the past two years the Issuer has not been a party to any contracts that were not entered into in the ordinary course of business of the Issuer and which was material to the Consumer Group as a whole.

Clearing of the Notes

7. The Notes have been accepted for clearance through Euroclear (1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium) and Clearstream, Luxembourg (42 Avenue J.F. Kennedy, L-1855 Luxembourg). The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other

clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Passporting

8. The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the Kingdom of Spain to be issued by the CSSF to the competent authority in any Member State.

REGISTERED OFFICE OF THE ISSUER

Santander Consumer Finance, S.A.

Ciudad Grupo Santander
Avda.de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

ARRANGER

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

DEALERS

Banco Santander, S.A.

Ciudad Grupo Santander
Edificio Encinar,
Avenida de Cantabria s/n
28660, Boadilla del Monte,
Madrid, Spain

BNP Paribas

10 Harewood Avenue
London
NW1 6AA
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstrasse 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Danske Bank A/S

2-12 Holmens Kanal
DK-1092 Copenhagen K
Denmark

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
United Kingdom

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Nomura International plc

1 Angel Lane
London EC4R 3AB
United Kingdom

Skandinaviska Enskilda Banken AB (publ)

Kungsträdgårdsgatan 8
106 40 Stockholm
Sweden

Société Générale

29 Boulevard Haussmann
75009 Paris
France

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
United Kingdom

ISSUE AND PAYING AGENT

Citibank, N.A., London Branch

Citigroup Centre,
Canada Square,
Canary Wharf,
London E14 5LB,
United Kingdom

LUXEMBOURG LISTING AND PAYING AGENT

Dexia Banque Internationale à Luxembourg

société anonyme
at route d'Esch,
L - 2953
Luxembourg

LEGAL ADVISERS

*To the Issuer
as to Spanish law*

Internal Legal Department
Ciudad Grupo Santander
Edificio Dehesa
Avda de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

To the Dealers as to English and Spanish law

Clifford Chance, S.L.
Paseo de la Castellana, 110
28046 Madrid
Spain

AUDITORS TO THE ISSUER

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Madrid
Spain