

SANTANDER INTERNATIONAL PRODUCTS PUBLIC LIMITED COMPANY

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

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

BANCO SANTANDER, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

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

When used in this Base Prospectus, "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"), and includes, for the purposes of this Prospectus only, any relevant implementing measure in a relevant Member State of the European Economic Area.

This Base Prospectus, as approved and published by the Central Bank, in accordance with the requirements of the Prospective Directive, comprises a Base Prospectus for the purposes of the Prospectus Directive and the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended), and for the purpose of giving information with regard to the issue of Notes issued under the Euro Medium Term Note Programme (the "**Programme**") described herein, during the period of 12 months after the date hereof.

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

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Regulated Market, as set out in the applicable Final Terms (as defined below). The Programme (as defined below) also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems or may be unlisted, in each case, as may be agreed with the Issuer and as set out in the applicable Final Terms or Pricing Supplement (as defined below), as the case may be. In case the Notes are admitted to listing on the Taipei Stock Exchange and offered in Taiwan, the Notes shall not be offered or sold or re-sold to investors other than professional institutional investors ("**Professional Institutional Investors**") as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the Republic of China. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a Professional Institutional Investor.

Prospective investors should note that the Issuer is incorporated in Ireland but tax-resident in Spain. Potential purchasers should note the statements on pages 453 to 457 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 13/1985, as amended, on the Issuer and the Guarantor relating to the Notes. Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

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

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

The Guarantor has been rated by Fitch Ratings España, S.A.U. ("**Fitch**"), Moody's Investor Service España, S.A. ("**Moody's**"), Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), DBRS Ratings Limited ("**DBRS**"), Scope Ratings AG ("**Scope Ratings**") and GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH ("**GBB-Rating**"). Each of Fitch, Moody's, S&P, DBRS, Scope Ratings and GBB-Rating is established in the European Union and is registered under the CRA Regulation. Credit ratings may be adjusted over time, and there is no assurance that the credit ratings stated in this Base Prospectus will be effective after the date of this Base Prospectus. A credit rating is not a recommendation to buy, sell or hold any Notes.

Arranger and Dealer

BANCO SANTANDER, S.A.

8 July 2016

IMPORTANT NOTICES

Each of the Issuer and the Guarantor (together, the "**Responsible Persons**") accept responsibility for the information contained in this Base Prospectus and declare 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 their knowledge, in accordance with the facts and contains no omission likely to affect its import.

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

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

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers (as defined in "Plan of Distribution"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in either (a) in the case of Notes to be admitted to trading on the Regulated Market, (i) the final terms (the "**Final Terms**"), or (ii) a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") (as described under "Applicable Transaction Terms and Drawdown Prospectuses" below), or (b) in the case of Exempt Notes (as defined below) a pricing supplement (the "**Pricing Supplement**", and together with the Final Terms, the "**Applicable Transaction Terms**"). 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 Applicable Transaction 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. With respect to Notes to be listed on the Regulated Market of the Irish Stock Exchange, the Applicable Transaction Terms will be delivered to the Central Bank on or before the date of issue of the Notes of such Tranche.

The requirement to publish a prospectus under the Prospectus Directive (as defined above) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive. References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. The Central Bank has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

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

The Notes and any Entitlement(s) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the

Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

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

The Dealers have not separately verified the information contained in this Base Prospectus. None of the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes issued under the Programme of any information coming to the attention of any of the Dealers.

None of the Dealers, the Issuer or the Guarantor makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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

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

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may only be made in any Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes.

Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering/placement contemplated in this Base Prospectus as completed by Applicable Transaction Terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer, the Guarantor 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 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.

IMPORTANT INFORMATION RELATING TO NON EXEMPT OFFERS OF NOTES

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**".

Restrictions on Non-Exempt Offers of Notes in Relevant Member States

This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of Notes in each Member State in relation to which the Issuer has given its consent, as specified in the applicable Final Terms (each specified Member State a "**Non-exempt Offer Jurisdiction**" and together the "**Non-exempt Offer Jurisdictions**"). Any person making or intending to make a Non-exempt Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent to the use of this Base Prospectus as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" below and provided such person complies with the conditions attached to that consent.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of a Non-exempt Offer of Notes, the Issuer and the Guarantor accept responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an "**Investor**") who purchases any Notes in a Non-exempt Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuer, the Guarantor or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Except in the circumstances set out in the following paragraphs, neither the Issuer nor the Guarantor has authorised the making of any Non-exempt Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Guarantor and, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

The financial intermediaries referred to in paragraphs (a)(i), (a)(ii) and (b) below are together the "**Authorised Offerors**" and each an "**Authorised Offeror**".

Consent

In connection with each Tranche of Notes and subject to the conditions set out below under "*Common Conditions to Consent*":

Specific Consent

- (a) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Notes by:
 - (i) the relevant Dealer(s) or Manager(s) specified in the applicable Final Terms; and
 - (ii) any financial intermediaries specified in the applicable Final Terms; and

General Consent

(b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes by any other financial intermediary which satisfies the following conditions:

- (i) it is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC); and
- (ii) it accepts the Issuer's offer to grant consent to the use of this Base Prospectus by publishing on its website the following statement (with the information in square brackets duly completed) (the "**Acceptance Statement**"):

*"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Santander International Products plc (the "**Issuer**"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly."*

The "**Authorised Offeror Terms**", being the terms to which the relevant financial intermediary agrees in connection with using this Base Prospectus, are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer the Guarantor and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:
 - I. act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor;
 - II. comply with the restrictions set out under "**Plan of Distribution**" in this Base Prospectus which would apply if the relevant financial intermediary were a Dealer;
 - III. ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by the relevant financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
 - IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
 - V. comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicion as to the source of the application monies;

- VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer, the Issuer and the Guarantor or directly to the appropriate authorities with jurisdiction over the Issuer, the Guarantor and/or the relevant Dealer in order to enable the Issuer, the Guarantor and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer, the Guarantor and the relevant Dealer, as the case may be;
- VII. ensure that it does not, directly or indirectly, cause the Issuer, the Guarantor or the relevant Dealer to breach any Rule or subject the Issuer, the Guarantor or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- VIII. immediately inform the Issuer, the Guarantor and the relevant Dealer if at any time it becomes aware, or suspects, that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
- IX. comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Non-exempt Offer as specified in the applicable Final Terms;
- X. make available to each potential Investor in the Notes this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus and the applicable Final Terms;
- XI. if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer, the Guarantor and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Guarantor or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer, the Guarantor or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes and the Guarantor as the guarantor of the relevant Notes on the basis set out in this Base Prospectus;
- XII. ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer, the Guarantor or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- XIII. cooperate with the Issuer, the Guarantor and the relevant Dealer in providing relevant information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) and such further assistance as is reasonably requested upon written request from the Issuer,

the Guarantor or the relevant Dealer in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process. For this purpose, relevant information is information that is available to or can be acquired by the relevant financial intermediary:

- (i) in connection with any request or investigation by any regulator in relation to the Notes, the Issuer, the Guarantor or the relevant Dealer; and/or
- (ii) in connection with any complaints received by the Issuer, the Guarantor and/or the relevant Dealer relating to the Issuer, the Guarantor and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in the Rules; and/or
- (iii) which the Issuer, the Guarantor or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or to allow the Issuer, the Guarantor or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements;

XIV. during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the Issuer and the relevant Dealer); (ii) only sell the Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the Issuer and the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the Issuer and the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the Issuer and the relevant Dealer; and

XV. either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests the relevant financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;

(B) agrees and undertakes to each of the Issuer, the Guarantor and the relevant Dealer that if it or any of its respective directors, officers, employees, agents, affiliates and controlling persons) (each a "**Relevant Party**") incurs any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) (a "**Loss**") arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by the relevant financial intermediary, including (without limitation) any unauthorised action by the relevant financial intermediary or failure by it to observe any of the above restrictions or requirements or the making by it of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor or the relevant Dealer, the relevant financial intermediary shall pay to the Issuer, the Guarantor or the relevant Dealer, as the case may be, an amount equal to the Loss. None of the Issuer, the Guarantor nor any Dealer shall have any duty or obligation, whether as fiduciary or trustee for any Relevant Party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this provision; and

(C) agrees and accepts that:

- I. the contract between the Issuer and the relevant financial intermediary formed upon acceptance by the relevant financial intermediary of the Issuer's offer to use this Base Prospectus with its consent in connection with the relevant Non-exempt Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
- II. subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and the relevant financial intermediary submit to the exclusive jurisdiction of the English courts;
- III. for the purposes of (C)(II) and (IV), the relevant financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
- IV. to the extent allowed by law, the Issuer, the Guarantor and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
- V. the Guarantor and each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any Authorised Offeror falling within (b) above who meets the conditions set out in (b) and the other conditions stated in "*Common Conditions to Consent*" below and who wishes to use this Base Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

Common Conditions to Consent

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Non-exempt Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Poland and Germany, as specified in the applicable Final Terms.

The consent referred to above only relates to Offer Periods (if any) occurring within 12 months from the date of this Base Prospectus.

The only Relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above, will be Poland and Germany and accordingly each Tranche of Notes may only be offered to Investors as part of a Non-exempt Offer in Poland and Germany, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH

NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF THE ISSUER, THE GUARANTOR AND, FOR THE AVOIDANCE OF DOUBT, ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE TRANSACTION TERMS MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE APPLICABLE TRANSACTION TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION-ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Save as provided above, none of the Issuer, the Guarantor and any Dealer have authorised, nor do they authorise, the making of any Non-exempt 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.

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

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

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

NO HOLDING OF IMPLICIT YIELD NOTES BY SPANISH INDIVIDUALS

The sale, transfer, or acquisition of Implicit Yield Notes (as defined below), including, but not limited to, Zero Coupon Notes, to or by individuals (*personas físicas*) who are tax resident in Spain (each a "**Spanish Individual**") is forbidden in all cases. Any transfer of Implicit Yield Notes to or by Spanish Individuals is not permitted and such transfer will be considered null and void by the Issuer and the Guarantor. Accordingly, neither the Issuer nor the Guarantor will recognise any Spanish Individual as an owner of Implicit Yield Notes.

"**Implicit Yield Notes**" means Notes in respect of which the income derives from (a) the difference between the redemption amount and the issue price of the Notes, or (b), subject to the paragraph below, a combination of (i) an explicit coupon and (ii) the difference between the redemption amount and the issue price of the Notes.

For the purposes of this Base Prospectus and in accordance with Spanish tax regulations, Notes with the characteristics set out in (b) above will only be deemed Implicit Yield Notes if the interest payable in each year (explicit coupon) is lower than the Interest Rate of Reference applicable as of the Issue Date.

The "**Interest Rate of Reference**" shall be the interest rate applicable to each calendar quarter determined by reference to 80% of the weighted average rate fixed in the preceding calendar quarter for (a) three year Spanish Government Bond issues, if the Notes have a term of four years or less, (b) five-year Spanish Government Bond issues, if the Notes have a term of more than four years but equal or less than seven years, or (c) 10, 15 or 30-year Spanish Government Bond issues, if the Notes have a term of more than seven years, all as determined by the Calculation Agent in a commercially reasonable manner.

CONTENTS

	Page
SUMMARY	2
KEY FEATURES OF THE PROGRAMME	35
RISK FACTORS	42
ISSUE OF NOTES	92
DOCUMENTS INCORPORATED BY REFERENCE	93
APPLICABLE TRANSACTION TERMS AND DRAWDOWN PROSPECTUSES	96
TERMS AND CONDITIONS OF THE NOTES	97
ANNEX 1 PROVISIONS RELATING TO EQUITY LINKED NOTES	139
ANNEX 2 PROVISIONS RELATING TO INFLATION LINKED NOTES	161
ANNEX 3 ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES	168
ANNEX 4 ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES.....	182
ANNEX 5 ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES	244
ANNEX 6 ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS	257
PRO FORMA FINAL TERMS	286
PRO FORMA PRICING SUPPLEMENT	328
FORM OF NOTES	367
TRANSFER RESTRICTIONS.....	375
USE OF PROCEEDS	379
SANTANDER INTERNATIONAL PRODUCTS PLC.....	380
BANCO SANTANDER, S.A.	384
PLAN OF DISTRIBUTION.....	435
TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH PAYMENTS	441
GENERAL INFORMATION.....	456

SUMMARY

Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary explaining why it is not applicable.

Section A – Introduction and warnings

Element	
A.1	This summary should be read as an introduction to the Base Prospectus and the applicable Final Terms. Any decision to invest in any Notes should be based on a consideration of the Base Prospectus as a whole, including any documents incorporated by reference, and the applicable Final Terms. Where a claim relating to information contained in the Base Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the applicable Final Terms before the legal proceedings are initiated. Civil liability attaches to the Issuer or the Guarantor solely on the basis of this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus and the applicable Final Terms or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of the Base Prospectus and the applicable Final Terms, key information in order to aid investors when considering whether to invest in the Notes.
A.2	Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "Non-exempt Offer". [Issue specific summary: [Not Applicable – the Notes are not being offered to the public as part of a Non-exempt Offer.] Consent: Subject to the conditions set out below, the Issuer consents to the use of the Base Prospectus in connection with a Non-exempt Offer of Notes by the Manager/Dealer(s) [and] [names of specific financial intermediaries listed in final terms,] [and any financial intermediary which is authorised to make such offers under applicable legislation implementing the Market in Financial Instrument Directive (Directive 2004/39/EC) and publishes on its website the following statement (with the information in square brackets being duly completed): "We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Santander International Products plc (the "Issuer"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly." Offer period: The Issuer's consent referred to above is given for Non-exempt Offers of Notes during [offer period for the issue to be specified here] (the "Offer Period"). Conditions to consent: The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; and (b) only extends to the use of the Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in [Poland/Germany]. [AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.]

Section B – Issuer and Guarantor

Element	Title	
B.1	Legal and commercial name of the Issuer:	Santander International Products plc
B.2	Domicile/ legal form/ legislation/ country of incorporation:	The Issuer is a limited liability company incorporated in Ireland but with its tax residence in the Kingdom of Spain. Santander International Products plc was registered and incorporated on 25 June 2004 under the Irish Companies Acts 1963 to 2013, registration number 387937 for an indefinite period. The Registered Office of the Issuer is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2.
B.4b	Trend information:	The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as other major banks look to increase their market share, combine complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Group (as defined in Element B.5 below)

Element	Title	
		expects will increase the overall level of regulation in the markets. The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Santander Group or that would cause the disclosed financial information not to be indicative of its future operating results or our financial condition: <i>Economic and Industry Conditions</i> • general economic or industry conditions in Spain, the UK, the U.S., other European countries, Brazil, other Latin American countries and the other areas in which we have significant business activities or investments; • exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk; • a worsening of the economic environment in Spain, the UK, other European countries, Brazil, other Latin American countries, and the U.S., and an increase of the volatility in the capital markets; • the effects of a continued decline in real estate prices, particularly in Spain and the UK; • monetary and interest rate policies of the European Central Bank and various central banks; • inflation or deflation; • the effects of non-linear market behaviour that cannot be captured by linear statistical models, such as the value at risk ("VaR") model we use; • changes in competition and pricing environments; • the inability to hedge some risks economically; • the adequacy of loss reserves; • acquisitions or restructurings of businesses that may not perform in accordance with our expectations; • changes in demographics, consumer spending, investment or saving habits; • potential losses associated with prepayment of our loan and investment portfolio, declines in the value of collateral securing our loan portfolio, and counterparty risk; and • changes in competition and pricing environments as a result of the progressive adoption of the internet for conducting financial services and/or other factors. <i>Political and Governmental Factors</i> • political stability in Spain, the UK, other European countries, Latin America and the U.S.; • changes in Spanish, the UK, European Union ("EU"), Latin American, the U.S. or other jurisdictions' laws, regulations or taxes, including changes in regulatory capital and liquidity requirements; and • increased regulation in light of the global financial crisis. <i>Transaction and Commercial Factors</i> • damage to our reputation; • our ability to integrate successfully our acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while we integrate these acquisitions; and • the outcome of our negotiations with business partners and governments. <i>Operating Factors</i> • potential losses associated with an increase in the level of non-performance by counterparties to other types of financial instruments; • technical difficulties and/or failure to improve or upgrade our information technology; • changes in our ability to access liquidity and funding on acceptable terms, including as a result of changes in our credit spreads or a downgrade in our credit ratings or those of our more significant subsidiaries; • our exposure to operational losses (e.g. failed internal or external processes, people and systems); • changes in our ability to recruit, retain and develop appropriate senior management and skilled personnel; • the occurrence of force majeure, such as natural disasters, that impact our operations or impair the asset quality of our loan portfolio; and • the impact of changes in the composition of our balance sheet on future net interest income.
B.5	Description of the Group:	The Issuer and the Guarantor are part of the Santander Group (the " Group "). The Guarantor is the parent company of the Group which was comprised at 31 December 2015 of 782 companies that consolidate by the global integration method. In addition, there were 216 companies that were accounted for by the equity method. The Issuer is a wholly owned subsidiary of Banco Santander, S.A.
B.9	Profit forecast or estimate:	Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.
B.10	Audit report qualifications:	Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus.

Element	Title		
B.12	Selected historical key financial information:		
	Audited Income Statement of the Issuer for the years ended 31 December 2015 and 2014		
	The table below sets out summary information extracted from the Issuer's audited income statement for each of the two years ended 31 December 2015 and 31 December 2014:		
		Year ended 31/12/2015 EUR	Year ended 31/12/2014 EUR
	Interest income on investments	14,812,872	18,757,602
	Interest expense on notes and commercial paper issued	(50,144,001)	(46,602,615)
	Net income from derivatives	35,553,368	28,458,304
	Amortisation on premiums arising on origination of loans and receivables	36,210	17,727
	Amortisation of discount on issuance of notes	(36,210)	(17,727)
	Net interest income	222,239	613,291
	Net realised gains on notes issued - designated as at fair value through profit or loss	7,676,373	29,783,034
	Net realised losses on derivatives	(7,676,373)	(29,551,877)
	Fair value movements on notes issued - designated as at fair value through profit or loss	3,054,344	(29,107,229)
	Fair value movements on derivatives	(878,728)	31,564,836
	Net foreign exchange loss	(2,175,616)	(2,688,764)
	Net operating income	222,239	613,291
	Other income	415,000	-
	Other expenses	(532,794)	(503,425)
	Net income for the year before taxation	104,445	109,866
	Taxation	(31,334)	(32,960)
	Profit for the financial year after taxation	73,111	76,906
	Total comprehensive income for the financial year	73,111	76,906
	Audited Statement of Financial Position of the Issuer for the years ended 31 December 2015 and 2014		
	The table below sets out summary information extracted from the Issuer's audited statement of financial position for each of the two years ended 31 December 2015 and 31 December 2014:		
		As at 31/12/2015 EUR	As at 31/12/2014 EUR
	Assets		
	Investment - designated at fair value through profit or loss	1,219,876,508	1,363,812,073
	Loans and receivables	356,550,962	101,721,058
	Derivatives	129,382,884	137,786,059
	Interest receivable on investments	2,260,602	2,319,541
	Interest receivable on derivatives	13,187,311	4,449,657
	Expense prepayment	25,306	16,197
	Cash and cash equivalents	936,063	551,719
		1,722,219,636	1,610,656,304
	Liabilities		
	Notes issued - designated as at fair value through profit or loss	1,280,695,982	1,425,200,263
	Notes issued - at amortised cost	356,240,950	101,721,058
	Derivatives	68,873,433	76,397,870
	Interest payable on notes issued	7,106,109	4,506,020
	Interest payable on derivatives	8,316,222	2,209,457
	Corporation tax payable	31,334	32,960
	Deferred income	329,601	-
	Expense accruals	8,183	43,452
	Withholding tax payable	39,359	39,872
		1,721,641,173	1,610,150,952
	Net assets	578,463	505,352
	Equity		

	Share capital	40,000	40,000
	Capital contribution	337,000	337,000
	Retained earnings	201,463	128,352
	Shareholders' funds	578,463	505,352
	Statements of no significant or material adverse change There has been neither significant change in the financial position of the Issuer nor material adverse change in the prospects of the Issuer since 31 December 2015.		
B.13	Events impacting the Issuer's solvency:	Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.	
B.14	Dependence upon other group entities:	The Issuer and the Guarantor are part of the Group. The Issuer is an instrumental company of the Guarantor which is the parent entity of the Group. The Issuer's sole business is raising debt to be on-lent to the Guarantor and other members of the Group on an arm's length basis. The Issuer is accordingly dependent upon the Guarantor and other members of the Group servicing such loans.	
B.15	Principal activities:	The principal objects of the Issuer are the issuance of <i>participaciones preferentes</i> (preferred securities) and other financial instruments.	
B.16	Controlling shareholders:	The Issuer is a wholly and directly owned subsidiary of the Guarantor.	
B.17	Credit ratings:	The Issuer has not been assigned any credit rating by any rating agency. [The Programme has not been assigned a credit rating] Series of Notes issued under the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Where a Series of Notes is rated, the applicable rating(s) of a relevant Series of Notes to be issued under the Programme will be specified in the Final Terms, Drawdown Prospectus or Pricing Supplement (as applicable). Whether or not each credit rating applied for in relation to a relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009, as amended (the " CRA Regulation ") will be disclosed in the applicable Final Terms, Drawdown Prospectus or Pricing Supplement (as applicable). [Issue specific summary: The Notes [have been/are expected to be][are not] rated [specify rating(s) of Tranche being issued] by [specify rating agent(s)].] A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. [Not Applicable - No ratings have been assigned to the Issuer or its debt securities at the request of or with the cooperation of the Issuer in the rating process.]	
B.18	Description of the Guarantee:	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable and/or delivery of all assets expressed to be deliverable by the Issuer under the Notes, Receipts and Coupons. The obligations of the Guarantor in respect of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank <i>pari passu</i> without any preference in respect of other Notes of the same Series and in the event of the insolvency (<i>concurso</i>) of the Guarantor will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such payment obligations that are preferred by law under Articles 84.2, 90, 91 and any deposits described in Additional Provision 14.1 of Law 11/2015 or, as the case may be, that are qualified as subordinated debt by law under Article 92, of Spanish Law 22/2003 on insolvency (<i>Ley Concursal</i>) dated 9 July 2003 (" Law 22/2003 ") or equivalent legal provisions which replace them in the future. Its obligations in that respect (the " Guarantee ") are contained in the Deed of Guarantee. The claims of all creditors against the Guarantor considered as "ordinary credits" will be satisfied pro rata in insolvency. Ordinary credits rank above subordinated credits and the rights of shareholders. Pursuant to article 59 of the Law 22/2003, the further accrual of interest shall be suspended from the date of declaration of the insolvency of the Guarantor. Claims of Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Guarantor shall constitute subordinated claims against the Guarantor ranking in accordance with the provisions of article 92 of the Spanish Insolvency Law (including, without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Guarantor). The obligations of the Guarantor under the Guarantee are also subject to the application of the general bail-in tool by the relevant resolution authority pursuant to the Bank Recovery and Resolution Directive and Law 11/2015.	
B.19	Information about the Guarantor:		
B.19/B.1	Legal and commercial name of the Guarantor:	The legal name of the Guarantor is Banco Santander, S.A. and operates under the trading name of "Santander".	
B.19/B.2	Domicile/ legal form/ legislation/ country of incorporation:	The Guarantor is domiciled in Spain and has its registered office at Paseo de Pereda, 9-12, Santander. The principal operating headquarters of the Guarantor are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520. The Guarantor was incorporated in Spain and has the legal form of a public limited liability company (<i>sociedad anónima</i>) and is subject to the Spanish Corporations Law. Its activities are subject to special Spanish legislation governing credit institutions in general and to the supervision, control and regulation of the Bank of Spain in particular.	

B.19/B.4(b)	Trend information:	See Element B.4b above.
B.19/B.5	Description of the Group:	See Element B.5 above
B.19/B.9	Profit forecast or estimate:	Not applicable - No profit forecasts or estimates have been made in the Base Prospectus.
B.19/B.10	Audit report qualifications:	Not applicable - No qualifications are contained in any audit report included in the Base Prospectus.
B.19/B.12	Selected historical key financial information: The audited summarised consolidated financial statements of the Group as of, and for each of the years ended, 31 December 2015, 31 December 2014 and 31 December 2013, and the unaudited consolidated financial statements for the three-month period ended 31 March 2016 and 2015, has been extracted without any adjustment from, and is qualified by reference to and should be read in conjunction with, the Guarantor's audited consolidated financial statements and unaudited consolidated financial statements in respect of those dates and periods:	
<i>Summarised Audited Consolidated Balance Sheet of the Group under International Financial Reporting Standards – European Union ("IFRS-EU") for the years ended 31 December 2015, 31 December 2014 and 31 December 2013</i> <i>(Millions of Euros)</i>		

ASSETS	2015	2014*	2013*	LIABILITIES AND EQUITY	2015	2014*	2013*
CASH AND BALANCES WITH CENTRAL BANKS	81,329	69,428	77,103	FINANCIAL LIABILITIES HELD FOR TRADING:	105,218	109,792	94,673
				Deposits from central banks	2,178	2,041	3,866
				Deposits from credit institutions	77	5,531	7,468
FINANCIAL ASSETS HELD FOR TRADING:	147,287	148,888	115,289	Customer deposits	9,187	5,544	8,500
Loans and advances to credit institutions	2,293	1,815	5,503	Marketable debt securities	-	-	1
Loans and advances to customers	6,081	2,921	5,079	Trading derivatives	76,414	79,048	58,887
Debt instruments	43,964	54,374	40,841	Short positions	17,362	17,628	15,951
Equity instruments	18,225	12,920	4,967	Other financial liabilities	-	-	-
Trading derivatives	76,724	76,858	58,899				
				OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS:	54,768	62,317	42,311
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:				Deposits from central banks	16,486	6,321	2,097
Loans and advances to credit institutions	45,043	42,673	31,381	Deposits from credit institutions	8,551	19,039	9,644
Loans and advances to customers	26,403	28,592	13,444	Customer deposits	26,357	33,127	26,484
	14,293	8,971	13,196	Marketable debt securities	3,373	3,830	4,086
Debt instruments	3,717	4,231	3,875	Subordinated liabilities	-	-	-
Equity instruments	630	879	866	Other financial liabilities	1	-	-
				FINANCIAL LIABILITIES AT AMORTISED COST:	1,039,343	961,052	863,114
				Deposits from central banks	38,872	17,290	9,788
AVAILABLE-	122,036	115,250	83,799	Deposits from	109,207	105,147	76,534

FOR-SALE FINANCIAL ASSETS:				<i>credit institutions</i>			
Debt instruments	117,187	110,249	79,844	Customer deposits	647,578	608,956	572,853
Equity instruments	4,849	5,001	3,955	Marketable debt securities	201,656	193,059	171,390
				Subordinated liabilities	21,153	17,132	16,139
				Other financial liabilities	20,877	19,468	16,410
LOANS AND RECEIVABLES:	831,637	781,635	714,484				
Loans and advances to credit institutions	50,256	51,306	56,017	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	174	31	87
Loans and advances to customers	770,474	722,819	650,581	HEDGING DERIVATIVES	8,937	7,255	5,283
Debt instruments	10,907	7,510	7,886	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	21	1
HELD-TO-MATURITY INVESTMENTS	4,355	-	-	LIABILITIES UNDER INSURANCE CONTRACTS	627	713	1,430
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	1,379	1,782	1,627	PROVISIONS: Provision for pensions and similar obligations	14,494	15,376	14,589
	7,727	7,346	8,301	Provisions for taxes and other legal contingencies	8,272	9,412	9,126
HEDGING DERIVATIVES				Provisions for contingent liabilities and commitments	2,577	2,916	2,727
NON-CURRENT ASSETS HELD FOR SALE	5,646	5,376	4,892	Other provisions	618	654	693
INVESTMENTS:	3,251	3,471	5,536	TAX LIABILITIES:	3,027	2,394	2,043
Associates	1,659	1,775	1,829	Current	7,725	9,379	6,079
Jointly controlled entities	1,592	1,696	3,707	Deferred	2,160	4,852	4,254
INSURANCE CONTRACTS LINKED TO					5,565	4,527	1,825
PENSIONS	299	345	342	OTHER LIABILITIES	10,221	10,646	8,554
REINSURANCE ASSETS	331	340	356	TOTAL LIABILITIES	1,241,507	1,176,582	1,036,121
TANGIBLE ASSETS:				EQUITY SHAREHOLDER S' EQUITY:	102,402	91,663	84,480
Property, plant and equipment-	25,320	23,256	13,654	Share capital	7,217	6,292	5,667
	19,335	16,889	9,974	Registered	7,217	6,292	5,667

	For own use	7,949	8,324	7,787	Less: Uncalled capital	-	-	-	
	Leased out under an operating lease	11,386	8,565	2,187	Share premium	45,001	38,611	36,804	
	Investment property	5,985	6,367	3,680	Reserves	45,760	41,160	38,056	
					Accumulated reserves (losses)	45,469	40,973	37,793	
					Reserves (losses) of entities accounted for using the equity method	291	187	263	
	INTANGIBLE ASSETS:	29,430	30,401	26,241	Other equity instruments	214	265	193	
	Goodwill	26,960	27,548	23,281	Equity component of compound financial instruments	-	-	-	
					Other	214	265	193	
	Other intangible assets	2,470	2,853	2,960	Less: Treasury shares	(210)	(10)	(9)	
					Profit for the year attributable to the Parent	5,966	5,816	4,175	
	TAX ASSETS:	27,814	27,956	26,944	Less: Dividends and remuneration	(1,546)	(471)	(406)	
	Current	5,769	5,792	5,751	VALUATION ADJUSTMENTS	(14,362)	(10,858)	(14,152)	
	Deferred	22,045	22,164	21,193	Available-for-sale financial assets	844	1,560	35	
					Cash flow hedges	171	204	(233)	
	OTHER ASSETS	7,376	8,149	5,814	Hedges of net investments in foreign operations	(3,597)	(3,570)	(1,874)	
	Inventories	1,013	1,099	80	Exchange differences	(8,383)	(5,385)	(8,768)	
					Non-current assets held for sale	-	-	-	
	Other	6,363	7,050	5,734	Entities accounted for using the equity method	(232)	(85)	(446)	
					Other valuation adjustments	(3,165)	(3,582)	(2,866)	
					NON-CONTROLLING INTERESTS	10,713	8,909	9,314	
					Valuation adjustments	(1,227)	(655)	(1,541)	
					Other	11,940	9,564	10,855	
					TOTAL EQUITY	98,753	89,714	79,642	
	TOTAL ASSETS	1,340,260	1,266,296	1,115,763	TOTAL LIABILITIES AND EQUITY	1,340,260	1,266,296	1,115,763	
					MEMORANDUM ITEMS:				
					CONTINGENT LIABILITIES	40,115	44,078	41,049	
					CONTINGENT COMMITMENT				
					S	221,457	208,040	172,797	
(*) Presented for comparison purposes only.									
Unaudited Condensed Consolidated Balance Sheet as at 31 March 2016 and 31 December 2015 (Millions of Euros)									

ASSETS	31/03/16	31/12/15 (*)	LIABILITIES AND EQUITY	31/03/16	31/12/15 (*)
CASH AND BALANCES WITH CENTRAL BANKS	73,239	81,329	FINANCIAL LIABILITIES HELD FOR TRADING	108,567	105,218
FINANCIAL ASSETS HELD FOR TRADING	152,621	147,287	OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	63,404	54,768
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	48,771	45,043	FINANCIAL LIABILITIES AT AMORTISED COST	1,012,407	1,039,343
AVAILABLE-FOR-SALE FINANCIAL ASSETS	118,298	122,036	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO		
LOANS AND RECEIVABLES	817,409	831,637	HEDGES OF INTEREST RATE RISK	453	174
HELD-TO-MATURITY INVESTMENTS	4,566	4,355	HEDGING DERIVATIVES LIABILITIES	8,067	8,937
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO			ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
HEDGES OF INTEREST RATE RISK	1,815	1,379	LIABILITIES UNDER INSURANCE CONTRACTS	656	627
HEDGING DERIVATIVES	8,581	7,727	PROVISIONS	14,292	14,494
NON-CURRENT ASSETS HELD FOR SALE	5,727	5,646	TAX LIABILITIES:	7,952	7,725
INVESTMENTS:	3,350	3,251			
Associates	1,725	1,659	Current	2,609	2,160
Joint ventures	1,625	1,592	Deferred	5,343	5,565
			OTHER LIABILITIES	9,621	10,221
			TOTAL LIABILITIES	1,225,419	1,241,507
INSURANCE CONTRACTS LINKED TO PENSIONS	286	299	SHAREHOLDERS' EQUITY:	103,264	102,402
REINSURANCE ASSETS	340	331	Share capital	7,217	7,217
TANGIBLE ASSETS: Property, plant and equipment	25,465	25,320	Share premium	45,001	45,001
Investment property	19,155	19,335	Reserves	49,328	45,760
INTANGIBLE ASSETS:	28,693	29,430	Other equity instruments	216	214
Goodwill	26,209	26,960	Less: Treasury shares	(131)	(210)
Other intangible assets	2,484	2,470	Profit for the period attributable to the Parent	1,633	5,966
TAX ASSETS: Current	26,347	27,814	Less: dividends and remuneration	-	(1,546)
Deferred	4,998	5,769	VALUATION ADJUSTMENTS:	(15,949)	(14,362)
OTHER ASSETS	8,692	7,376	Available-for-sale financial assets	1,129	844
			Cash flow hedges	575	171
			Hedges of net investments in foreign operations	(3,356)	(3,597)
			Exchange differences	(10,820)	(8,383)
			Non-current assets held for sale	-	-
			Entities accounted for using the equity method	(229)	(232)
			Other valuation adjustments	(3,248)	(3,165)
			NON-CONTROLLING	11,466	10,713

				INTERESTS				
				Valuation adjustments		(1,249)	(1,227)	
				Other		12,715	11,940	
				EQUITY		98,781	98,753	
TOTAL ASSETS		1,324,200	1,340,260	TOTAL LIABILITIES AND EQUITY		1,324,200	1,340,260	
				MEMORANDUM ITEMS:				
				CONTINGENT				
				LIABILITIES		40,176	40,115	
				CONTINGENT				
				COMMITMENTS		221,260	221,457	
(*) Presented for comparison purposes only								

Audited Condensed Consolidated Income Statement of the Group IFRS-EU for the years ended 31 December 2015, 2014 and 2013
(Millions of Euros)

	(Debit) Credit		
	2015	2014*	2013*
Interest and similar income	57,198	54,656	51,447
Interest expense and similar charges	(24,386)	(25,109)	(25,512)
NET INTEREST INCOME	32,812	29,547	25,935
Income from equity instruments	455	435	378
Share of results of entities accounted for using the equity method	375	243	500
Fee and commission income	13,042	12,515	12,473
Fee and commission expense	(3,009)	(2,819)	(2,712)
Gains/losses on financial assets and liabilities (net)	(770)	3,974	3,234
<i>Held for trading</i>	(2,312)	2,377	1,733
<i>Other financial instruments at fair value through profit or loss</i>	325	239	(6)
<i>Financial instruments not measured at fair value through profit or loss</i>	1,265	1,427	1,622
<i>Other</i>	(48)	(69)	(115)
Exchange differences (net)	3,156	(1,124)	160
Other operating income	3,067	5,214	5,903
<i>Income from insurance and reinsurance contracts issued</i>	1,096	3,532	4,724
<i>Sales and income from the provision of non-financial services</i>	711	343	322
<i>Other</i>	1,260	1,339	857
Other operating expenses	(3,233)	(5,373)	(6,205)
<i>Expenses of insurance and reinsurance contracts</i>	(998)	(3,395)	(4,607)
<i>Changes in inventories</i>	(590)	(255)	(229)
<i>Other</i>	(1,645)	(1,723)	(1,369)
GROSS INCOME	45,895	42,612	39,666
Administrative expenses	(19,302)	(17,899)	(17,452)
<i>Staff costs</i>	(11,107)	(10,242)	(10,069)
<i>Other general administrative expenses</i>	(8,195)	(7,657)	(7,383)
Depreciation and amortisation	(2,418)	(2,287)	(2,391)
Provisions (net)	(3,106)	(3,009)	(2,445)
Impairment losses on financial assets (net)	(10,652)	(10,710)	(11,227)
<i>Loans and receivables</i>	(10,194)	(10,521)	(10,986)
<i>Other financial instruments not measured at fair value through profit or loss</i>	(458)	(189)	(241)
PROFIT FROM OPERATIONS	10,417	8,707	6,151
Impairment losses on other assets (net)	(1,092)	(938)	(503)
<i>Goodwill and other intangible assets</i>	(701)	(701)	(41)
<i>Other assets</i>	(391)	(237)	(462)
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	112	3,136	2,152
Gains from bargain purchases arising in business combinations	283	17	-
Gains/(losses) on non-current assets held for sale not classified as discontinued operations	(173)	(243)	(422)
PROFIT BEFORE TAX	9,547	10,679	7,378
Income tax	(2,213)	(3,718)	(2,034)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	7,334	6,961	5,344
LOSS FROM DISCONTINUED OPERATIONS (net)	-	(26)	(15)
CONSOLIDATED PROFIT FOR THE YEAR	7,334	6,935	5,329
<i>Profit attributable to the Parent</i>	5,966	5,816	4,175
<i>Profit attributable to non-controlling interests</i>	1,368	1,119	1,154
EARNINGS PER SHARE			
From continuing and discontinued operations			
<i>Basic earnings per share (euros)</i>	0.40	0.48	0.39
<i>Diluted earnings per share (euros)</i>	0.40	0.48	0.38
From continuing operations			
<i>Basic earnings per share (euros)</i>	0.40	0.48	0.39
<i>Diluted earnings per share (euros)</i>	0.40	0.48	0.38

(*) Presented for comparison purposes only

Unaudited Condensed Consolidated Income Statements of the Group IFRS-EU for the three-month periods ended 31 March 2016 and 2015

	(Debit) Credit	
	31/03/16	31/03/15 (*)
INTEREST AND SIMILAR INCOME	13,560	14,307
INTEREST EXPENSE AND SIMILAR CHARGES	(5,936)	(6,269)
NET INTEREST INCOME	7,624	8,038

INCOME FROM EQUITY INSTRUMENTS	44	33
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	83	99
FEE AND COMMISSION INCOME	3,112	3,261
FEE AND COMMISSION EXPENSE	(715)	(737)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	476	(203)
EXCHANGE DIFFERENCES (net)	28	898
OTHER OPERATING INCOME	1,109	969
OTHER OPERATING EXPENSES	(1,031)	(914)
GROSS INCOME	10,730	11,444
ADMINISTRATIVE EXPENSES	(4,572)	(4,785)
Staff costs	(2,683)	(2,755)
Other general administrative expenses	(1,889)	(2,030)
DEPRECIATION AND AMORTISATION CHARGE	(586)	(592)
PROVISIONS (net)	(381)	(603)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net)	(2,416)	(2,563)
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	(35)	(60)
GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	8	172
GAINS FROM BARGAIN PURCHASES ARISING IN BUSINESS COMBINATIONS	-	-
GAINS/(LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(17)	(24)
PROFIT BEFORE TAX	2,731	2,989
INCOME TAX	(810)	(922)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1,921	2,067
PROFIT/LOSS FROM DISCONTINUED OPERATIONS (net)	-	-
CONSOLIDATED PROFIT FOR THE PERIOD	1,921	2,067
Profit attributable to the Parent	1,633	1,717
Profit attributable to non-controlling interests	288	350
EARNINGS PER SHARE:		
From continuing and discounted operations:		
Basic earnings per share (euros)	0.11	0.12
Diluted earnings per share (euros)	0.11	0.12
From continuing operations:		
Basic earnings per share (euros)	0.11	0.12
Diluted earnings per share (euros)	0.11	0.12
(*) Presented for comparison purposes only		

Statements of no significant or material adverse change

There has been no significant change in the financial position of the Santander Group (including the Guarantor) since 31 March 2016 and there has been no material adverse change in the prospects of the Guarantor since 31 December 2015.

B.19/B.13	Events impacting the Guarantor's solvency:	Capital expenditures and divestitures: • Merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A. • Mergers by absorption of Banesto and Banco Banif • Insurance business in Spain • Agreement with Elavon Financial Services Limited • Agreement with Warburg Pincus and General Atlantic • Sale of Altamira Asset Management • Santander Consumer USA • Agreement with El Corte Inglés • GetNet Tecnologia Em Captura e Processamento de Transações H.U.A.H. S.A • Acquisition of non-controlling interests in Banco Santander (Brazil) S.A • Agreement with CNP • Agreement with GE Capital • Agreement with Banque PSA Finance • Agreement to acquire Carfinco • Metrovacesa, S.A. • Acquisition of Banco Internacional do Funchal (Banif) • Custody business • Merger of Santander Asset Management and Pioneer Investments • Capital Increases
B.19/B.14	Dependence upon other Group entities:	The Guarantor is the parent company of the Santander Group. The Guarantor is not dependent upon any other entity in the Group.
B.19/B.15	The Guarantor's principal activities:	The Guarantor and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the United Kingdom and other European countries, Brazil and other Latin American countries and the U.S., offering a wide range of financial products. At 31 December 2015, the Santander Group operated through 5,548 branch offices in Continental Europe, 858 branches in

		the United Kingdom, 5,841 branches in Latin America and 783 branches in the United States.																												
B.19/B.16	Controlling shareholders:	The Guarantor is not aware of any person which exerts or may exert control over the Guarantor within the terms of Article 5 of the Royal Legislative Decree 4/2015, of 23 October, for the approval of the consolidated text of the Securities Market Law (Royal Legislative Decree 4/2015, of 23 October, for the approval of the consolidated text of the Securities Market Law).																												
B.19/B.17	Credit ratings:	In accordance with the last available public information, the Guarantor has been rated by the rating agencies as follows: <table><tr><th>Rating Agency</th><th>Short</th><th>Long</th><th>Perspective</th></tr><tr><td>Fitch Ratings (1)</td><td>F2</td><td>A-</td><td>Stable</td></tr><tr><td>Moody's (2)</td><td>P-2</td><td>A3</td><td>Stable</td></tr><tr><td>Standard & Poor's (3)</td><td>A-2</td><td>A-</td><td>Stable</td></tr><tr><td>DBRS (4)</td><td>R-1 (Low)</td><td>A</td><td>Stable</td></tr><tr><td>Scope Ratings (5)</td><td>S-1</td><td>A+</td><td>Stable</td></tr><tr><td>GBB-Rating (6)</td><td></td><td>AA-</td><td>Stable</td></tr></table> (1) Fitch Ratings España, S.A. ("Fitch Ratings") (2) Moody's Investor Service España, S.A. ("Moody's") (3) Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") (4) DBRS Ratings Limited ("DBRS") (5) Scope Ratings AG ("Scope Ratings") (6) GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH ("GBB-Rating") A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.	Rating Agency	Short	Long	Perspective	Fitch Ratings (1)	F2	A-	Stable	Moody's (2)	P-2	A3	Stable	Standard & Poor's (3)	A-2	A-	Stable	DBRS (4)	R-1 (Low)	A	Stable	Scope Ratings (5)	S-1	A+	Stable	GBB-Rating (6)		AA-	Stable
Rating Agency	Short	Long	Perspective																											
Fitch Ratings (1)	F2	A-	Stable																											
Moody's (2)	P-2	A3	Stable																											
Standard & Poor's (3)	A-2	A-	Stable																											
DBRS (4)	R-1 (Low)	A	Stable																											
Scope Ratings (5)	S-1	A+	Stable																											
GBB-Rating (6)		AA-	Stable																											

Section C – Securities

Element	Title	
C.1	Description of Notes/ISIN:	The Notes described in this section are [debt securities] [derivative securities] with a denomination of less than €100,000 (or its equivalent in any other currency). The Notes may be Fixed Rate Notes, Floating Rate Notes, Equity Linked Notes (which may be Share or Share Index Linked Notes), Inflation Linked Notes, Fund Linked Notes, Credit Linked Notes, Foreign Exchange (FX) Rate Linked Notes, Zero Coupon Notes or Partly Paid Notes. [Issue specific summary: Title of Notes: [●] Series Number: [●] Tranche Number: [●] ISIN Code: [●] Common Code: [●] [Committee on Uniform Securities Identification Procedures (CUSIP) number: [●]]
		[The Notes will be consolidated and form a single series with [identify earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [date]]]
C.2	Currency:	Subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, Notes may be denominated in Euros or U.S. dollars or in any other currency or currencies. 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. [Issue specific summary: The specified currency of this Series of Notes is [●] [for the purpose of the Specified Denomination and calculations and, as Settlement Exchange Rate provisions apply, [●] for the purpose of payments (and, accordingly, all amounts calculated under the Notes in [●] shall be converted to [●] by reference to the prevailing [●]/[●] exchange rate).]
C.5	Restrictions on transferability:	Not Applicable - There are no restrictions on the free transferability of the Notes. However, selling restrictions apply to offers, sales or transfers of the Notes under the applicable laws in various jurisdictions. A purchaser of the Notes is required to make certain agreements and representations as a condition to purchasing the Notes. Purchasers of Notes in the U.S. are advised to consult legal counsel prior to making any transfer of such Notes.
C.8	Rights attached to the Notes, including ranking and limitations on those rights:	Status of the Notes and the Guarantee The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank <i>pari passu</i> and rateably without any preference among the obligations of the Issuer in respect of other Notes of the same Series of the Issuer and (subject to any applicable statutory exceptions and without prejudice as aforesaid) at least <i>pari passu</i> with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future. The Notes will have the benefit of an unconditional and irrevocable guarantee by the Guarantor.

Element	Title	
		Such obligations of the Guarantor pursuant to the Guarantee will constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and will rank <i>pari passu</i> without any preference in respect of other Notes of the same Series and in the event of the insolvency (<i>concurso</i>) of the Guarantor will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such payment obligations that are preferred by law under Articles 84.2, 90, 91 and deposits described in Additional Provision 14.1 of Law 11/2015 or, as the case may be, that are qualified as subordinated debt by law under Article 92, of Spanish Law 22/2003 (as defined above) or equivalent legal provisions which replace them in the future. The claims of all creditors against the Guarantor considered as "ordinary credits" will be satisfied pro rata in insolvency. Ordinary credits rank above subordinated credits and the rights of shareholders. Pursuant to article 59 of the Law 22/2003, the further accrual of interest shall be suspended from the date of declaration of the insolvency of the Guarantor. Claims of Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Guarantor shall constitute subordinated claims against the Guarantor ranking in accordance with the provisions of article 92 of the Spanish Insolvency Law (including, without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Guarantor). The obligations of the Guarantor under the Guarantee are also subject to the application of the general bail-in tool by the relevant resolution authority pursuant to the Bank Recovery and Resolution Directive and Law 11/2015.
		Events of default The terms of the Notes will contain, among others, the following events of default: (a) default in payment of any principal or interest due in respect of the Notes, continuing for a period of seven days; (b) non-performance or non-observance by the Issuer or the Guarantor of any of their respective other obligations under the conditions of the Notes, the Guarantee or the Agency Agreement, continuing for a period of 30 days following notice by a relevant holder of a Note requiring remedy of such non-performance or non-observation; (c) non-payment or cross acceleration of certain indebtedness, indemnity or guarantees of the Issuer or the Guarantor where the nominal amount of such indebtedness or liability is in excess of US\$50,000,000 (or equivalent in another currency); (d) events relating to the insolvency or winding-up of the Issuer or the Guarantor; (e) the Issuer ceases to be wholly owned and controlled by the Guarantor; and (f) the Guarantee ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under the Guarantee or the Guarantee is claimed by the Issuer or the Guarantor not to be in full force and effect.
C.9	Payment Features:	[Issue specific summary: Issue Price: [●]% of the aggregate nominal amount/[●] per Note] Issue Date: [●] Calculation Amount: [●] Maturity Date: [●] [Early Redemption Amount ((Tax)): [●] [% of] [per] Calculation Amount] [the fair market value of the Notes [less associated costs]]] (repeat item if Early Redemption Amount and Early Redemption Amount (Tax) differ) [The Notes bear interest [from their date of issue/from [●]] at the fixed rate of [●]% per annum. The yield of the Notes is [●]% Interest will be paid [annually][insert other period] in arrear on [●] in each year. The first interest payment will be made on [●]. [The Notes bear interest [from their date of issue/from [●]] at floating rates calculated by reference to [specify reference rate [1] for Notes being issued] [[plus a margin of [●]%/] / [and such rate for each relevant period will be subject to a multiplier of [●]%/] / [and [specify reference rate [2] for Notes being issued] by determining the difference between such rates]]. Interest will be paid [monthly][quarterly] in arrear on [●] [insert further dates if required] and [●] [in each year], subject to adjustment for non-business days. The first interest payment will be made on [●]. [There are no interest periods in respect of the Notes and in the event that the Notes are early redeemed, no interest amount or any other amount of accrued interest will be payable in respect of the Notes in respect of any Interest Payment Date which has not occurred on or prior to the date fixed for such redemption.] (insert in the case of Call Option Rate Notes or Put Option Rate Notes) [The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].] [In the event that the Notes are early redeemed, no amount of accrued interest will be payable on the redemption of the Notes, but the Early Redemption Amount [(Tax)] will take into account the fair market value (if any) of the interest element of the Notes.] (insert in the case of Notes for which "Fair Market Value Interest Element" applies) Early Redemption The Notes may be redeemed early for tax reasons at the Early Redemption Amount (Tax). [The Notes may be redeemed early at the option of the Issuer (an "Issuer Call") on giving [specify notice period] notice at the Optional Redemption Amount (Call) on the Optional Redemption Date (Call)[and a]. A] Note may be redeemed early at the option of the holder of such Note (a "Noteholder Put") on giving [specify notice period] at its Optional Redemption Amount (Put) on the Optional Redemption Date (Put). ["Optional Redemption Amount (Call)" means, in respect of a Note, [●] [%][per] Calculation Amount.] ["Optional Redemption Amount (Put)" means, in respect of a Note, [●] [%][per] Calculation Amount.]

Element	Title	
		["Optional Redemption Date (Call)"] means <i>[specify date(s)]</i> ["Optional Redemption Date (Put)"] means <i>[specify date(s)]</i> [The Notes may also be redeemed early at the early redemption amount to take into account events in relation to the relevant underlying or the Notes as described below.]] Final Redemption Subject to any prior purchase and cancellation or early redemption [and the occurrence of a Credit Event Determination Date, as described below], each Note will be redeemed on the [Maturity Date specified in Element C.16 below][●] at an amount in respect of each Calculation Amount equal to [par/[●]% of the Calculation Amount][●][the Calculation Amount multiplied by an amount determined in accordance with the methodology set out below] <i>[Complete following provisions on the same basis as followed in completing the Final Terms on the basis of the Payout Conditions, e.g. completing terms and using suffixes or adding a table where appropriate]].</i> Redemption (i) FR Value Redemption (ii) Constant Percentage + (Leverage * (Strike Percentage - FR Value)) * RI FX Rate Redemption (iii) Constant Percentage + (Leverage * Max [Floor Percentage; Additional Leverage * (FR Value – Strike Percentage)]) * RI FX Rate Redemption (iv) Constant Percentage + (Leverage * Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage * (FR Value – Strike Percentage) + Call Spread Percentage]]) * RI FX Rate Redemption (v) Constant Percentage + (Leverage * Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage - Put Leverage * (FR Value – Strike Percentage)]) * RI FX Rate Redemption (vi) Call Constant Percentage + (Leverage * (Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage * FR Value + Call Strike Percentage]])) * RI FX Rate + (Additional Leverage * (Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage – Put Leverage * FR Value]])) * RI FX Rate Redemption (vii) - Booster Constant Percentage 1 + (Constant Percentage 2 + Booster Number * Constant Percentage 3) * FR Value Redemption (viii) - Digital If Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]: [Constant Percentage 1][<i>select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive)</i>][no Final Redemption Amount will be payable and physical delivery will apply]; Otherwise: [Constant Percentage 2][<i>select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) – Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formula for the above paragraph</i>][no Final Redemption Amount will be payable and physical delivery will apply]. Redemption (ix) - Digital with Knock-in If Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred: [Constant Percentage 1][<i>select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive)</i>][no Final Redemption Amount will be payable and physical delivery will apply]; Otherwise: [Constant Percentage 2][<i>select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formula for the above paragraph</i>][no Final Redemption Amount will be payable and physical delivery will apply.] Redemption (x) - Podium If Final Redemption Condition 1 is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]: [Constant Percentage 1][<i>select and insert the final payout formula from any one of "Redemption (i)"</i>

Element	Title	
		to "Redemption (vii) - Booster" (inclusive)][no Final Redemption Amount will be payable and physical delivery will apply]; or If Final Redemption Condition [2] is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and Final Redemption Condition [1] is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] [Constant Percentage 2][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formula for the above paragraph][no Final Redemption Amount will be payable and physical delivery will apply]; or Otherwise: [Constant Percentage 3][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formula for any of the preceding paragraphs][no Final Redemption Amount will be payable and physical delivery will apply]. (The above provisions may be duplicated in case more than two Final Redemption Condition Levels apply) Redemption (xi) - Reverse Knock-in Standard If no Knock-in Event has occurred: [Constant Percentage 1][no Final Redemption Amount will be payable and physical delivery will apply]; or If a Knock-in Event has occurred: [Min [Constant Percentage 2; FR Value]][no Final Redemption Amount will be payable and physical delivery will apply]. Redemption (xii) - Reverse Knock-in If no Knock-in Event has occurred: [Constant Percentage 1][no Final Redemption Amount will be payable and physical delivery will apply]; or If a Knock-in Event has occurred: [Max [Constant Percentage 2 + Leverage * Option; 0]][no Final Redemption Amount will be payable and physical delivery will apply]. Redemption (xiii) - Knock-in Standard If Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]: [100% + FR Additional Rate][no Final Redemption Amount will be payable and physical delivery will apply]; or If Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred: [100% + Coupon Airbag Percentage][no Final Redemption Amount will be payable and physical delivery will apply]; or If Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and a Knock-in Event has occurred: [Min [Constant Percentage; FR Value]][no Final Redemption Amount will be payable and physical delivery will apply]. Redemption (xiv) - Twin Win <i>[Insert the following if a cap is not applicable]</i> If a Knock-out Event has occurred: [Constant Percentage 1 + (Max [Floor Percentage; Lever Down * FR Value]) * RI FX Rate][no Final Redemption Amount will be payable and physical delivery will apply]; or If no Knock-out Event has occurred: [Constant Percentage 2 + (Lever Up 1 * Max [Strike Percentage - FR Value; Floor Percentage 1]) * RI FX Rate + (Lever Up 2 * Max [FR Value - Strike Percentage 1; Floor Percentage 2]) * RI FX Rate] [no Final Redemption Amount will be payable and physical delivery will apply] <i>(Insert the following if a cap is applicable)</i> If a Knock-out Event has occurred: [Constant Percentage + (Max [Floor Percentage; Lever Down * FR Value]) * RI FX Rate][no Final Redemption Amount will be payable and physical delivery will apply]; or If no Knock-out Event has occurred:

Element	Title	
		[Constant Percentage 2 + (Lever Up 1 * Max [Strike Percentage - FR Value; Floor Percentage 1]) * RI FX Rate + (Lever Up 2 * Min [Cap Percentage; Max [FR Value - Strike Percentage 1; Floor Percentage 2]]) * RI FX Rate][no Final Redemption Amount will be payable and physical delivery will apply]. Redemption (xv) - Himalaya $\text{ConstantPercentage 1} + \text{Leverage} * \text{Max} \left[\frac{1}{\text{TotalM}} * \sum_{i=1}^M \text{Max}[\text{BestLockValue (i)} - \text{StrikePercentage (i)}; \text{LocalFloorPercentage (i)}]; 0 \right]$ Redemption (xvi) - Memory Constant Percentage + SumRate(n) Redemption (xvii) – Lock in If Lock in has occurred: [100%][select and insert the final payout formula from any one of "Redemption (i) to "Redemption (vii) - Booster" (inclusive)]; or If Lock in has not occurred: [100%][select and insert the final payout formula from any one of "Redemption (i) to "Redemption (vii) - Booster" (inclusive).] Automatic Early Redemption If an Automatic Early Redemption Event occurs, then the Automatic Early Redemption Amount payable per Note of a nominal amount equal to the Calculation Amount will be: [[Calculation Amount * (AER Percentage + AER Additional Rate)] [[Calculation Amount * (100% + Final Interest Rate)] For these purposes: "Automatic Early Redemption Event" means the AER Value on any relevant Automatic Early Redemption Valuation Date or in respect of an Automatic Early Redemption Valuation Period is [greater than/greater than or equal to/less than/less than or equal to], the Automatic Early Redemption [Level/Price]. "Automatic Early Redemption [Level/Price]" means [specify level/price] Entitlement Amounts Where physical delivery applies the Notes will be redeemed by delivery of the Entitlement Amount determined as follows: [Complete following provisions on the same basis as followed in completing the Applicable Transaction Terms on the basis of the Payout Conditions, completing terms and using suffixes where appropriate] Calculation Amount / (Constant Percentage * Performing RI Strike Price * FX) The Entitlement Amount will be rounded down to the nearest unit of each Relevant Asset capable of being delivered (the "Equity Element") and in lieu thereof the Issuer will pay a residual amount (the "Residual Amount") equal to: (Entitlement Amount – Equity Element) * Physical Delivery Price * FX Additional Disruption Events Additional Disruption Events include any [change of law/failure to deliver/insolvency filing/hedging disruption/increased cost of hedging]. [Set out the relevant definitions from below, completing or, where not relevant, deleting the following provisions] Definitions Please also see definitions contained in Element C.10 (Derivative component in the interest payments) [or insert relevant definitions from that element here] "Additional Leverage" means [specify percentage]. "AER Additional Rate" means, in respect of a [ST ER Valuation Date] or [ST ER Valuation Period], [the AER Rate][AER Rate DCF][AER Rate MT]. "AER Percentage" means [specify percentage]. "AER Rate" means [specify rate]. "AER Rate DCF" means a percentage calculated as the product of the AER Rate and the applicable day count fraction. "AER Rate MT" means the product of (a) [specify rate] and (b) the number of [Interest Periods][ST Valuation Dates][Automatic Early Redemption Valuation Dates] from the Issue Date to [and including][but excluding] the [Interest Period in which the relevant Automatic Early Redemption Valuation Date falls][the date of the relevant Automatic Early Redemption Valuation Date]. "AER Percentage" means [specify percentage]. "AER Reference Item Rate" means [specify floating rate]. "AER Value" means [specify other relevant term from this summary]. "Barrier Percentage Strike Price" means [specify percentage] "Basket" means: (a) if the relevant Reference Items are Share Indices, the Share Index Basket as

Element	Title	
		specified in the Applicable Transaction Terms; (b) if the relevant Reference Items are Shares, the Share Basket as specified in the Applicable Transaction Terms; (c) if the relevant Reference Items are inflation indices, a basket composed of each inflation index specified in the Applicable Transaction Terms; (d) if the relevant Reference Items are Fund Shares, the Fund Basket as specified in the Applicable Transaction Terms; and (e) if the relevant Reference Items are subject currencies, a basket composed of each subject currency specified in the Applicable Transaction Terms; in each case subject to weightings. "Best Lock Value(i)" means, in respect of a [ST Valuation Date] [or ST Valuation Period], the highest RI Value on such [ST Valuation Date] [ST Valuation Period] of the Reference Item(s) in Himalaya Basket(i). "Booster Level" means [specify percentage]. "Booster Number" means the number of times that the Booster Condition is satisfied. "Booster Value" means, in respect of a ST Valuation Date or ST Valuation Period, [specify other relevant term from this summary]. "Call Cap Percentage" means [specify percentage]. "Call Constant Percentage" means [specify percentage]. "Call Floor Percentage" means [specify percentage]. "Call Leverage" means [specify percentage]. "Call Spread Percentage" means [specify percentage]. "Call Strike Percentage" means [specify percentage]. "Cap Percentage[1][2]" means [specify percentage]. "Constant Percentage[1][2][3][4]" means [specify percentage]. "Coupon Airbag Percentage" means [specify percentage]. "Current Interest Period" means, in respect of an Automatic Early Redemption Valuation Date, the Interest Period during which such Automatic Early Redemption Valuation Date falls. "EDS" means $\text{Max} [\text{Floor Percentage}; \text{Min} [\text{Constant Percentage } 3 - n\text{EDS} \times \text{Loss Percentage}; 0]]$. "EDS Barrier Percentage" means [specify percentage]. "Entitlement Value" means [the Reference Item][the Worst Value][the Best Value]. "Final Redemption Amount" means an amount in respect of each Calculation Amount, equal to [the Calculation Amount multiplied by: [insert relevant term from this summary]]. For the avoidance of doubt, if the final payout is zero, no amount shall be payable in the final redemption of the Note. "Final Coupon Rate" means the Rate of Interest calculated in respect of the [Current Interest Period][Target Final Interest Period] (the "Final Interest Period"). "Final Day Count Fraction" means the day count fraction applicable to the Final Interest Period. "Floor Lock in" means $\text{Constant Percentage [1]} \times \text{integer number resulting from the quotient of the Coupon Lock in and Constant Percentage [1]}$. "Floor Percentage [1][2]" means [specify percentage]. "Forward" means $\text{FR Value} - \text{Strike Percentage}$. "FR Additional Rate" means $[\text{FR Rate}][\text{FR MT up Rate}][\text{FR Rate DCF}][\text{FR Rate MT}]$. "FR Cap Percentage" means [specify percentage]. "FR Condition Level" means [specify percentage, amount or number]. "FR Constant Percentage" means [specify percentage]. "FR Floor Percentage" means [specify percentage]. "FR Leverage" means [specify percentage]. "FR MT up Rate" means: (a) $[\text{insert if cap is applicable}][\text{Min} [\text{Max} [\text{FR Floor Percentage}; \text{FR Leverage} \times (\text{FR Value} - \text{FR Strike Percentage}) + \text{FR Spread}]; \text{FR Cap Percentage}] + \text{FR Constant Percentage}].$ (b) $[\text{insert if cap is applicable}][\text{Max} [\text{FR Floor Percentage}; \text{FR Leverage} \times (\text{FR Value} - \text{FR Strike Percentage}) + \text{FR Spread} + \text{FR Constant Percentage}].$ "FR Rate" means [specify rate]. "FR Rate DCF" means a percentage calculated as the product of the FR Rate and the applicable day count fraction. "FR Rate MT" means the product of (a) [specify rate] and (b) the number of [Interest Periods][ST Valuation Dates] from and including the Issue Date to [and including][but excluding] the [Interest Period in which the relevant ST Valuation Date falls][date of the relevant ST Valuation Date]. "FR Spread" means [specify percentage]. "FR Strike Percentage" means [specify percentage]. "FR Value" means, in respect of a [ST FR Valuation Date] or [ST FR Valuation Period], [specify relevant term from this summary]. "FX" is the relevant RI FX Level(i) on the relevant ST Valuation Date or if that is not a Business Day the immediately succeeding Business Day. "Himalaya Basket(i)" means in respect of a ST Valuation Date(i), a Basket comprising each Reference Item in Himalaya Basket(i-1) but excluding the Reference Item in relation to Best Lock Value(i-1). "K" means [specify number], being the total number of Reference Items in the Basket. "Knock-in Event" means the Knock-in Value is: (i) greater than; (ii) greater than or equal to;

Element	Title	
		(iii) less than; or (iv) less than or equal to, the [Knock-in Level] [Knock-in Price] (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Final Terms, (i), (ii), (iii), or (iv) applying as specified in the Final Terms. "Knock-in Determination Day" means <i>[insert date]</i>. "Knock-in Determination Period" means <i>[insert dates]</i>. "Knock-in [Level][Price]" means <i>[specify]</i>. "Knock-in Value" means <i>[insert value]</i>. "Knock-out Event" means the Knock-out Value is: (i) greater than; (ii) greater than or equal to; (iii) less than; or (iv) less than or equal to, the [Knock-out Level] [Knock-out Price] (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Final Terms, (i), (ii), (iii), or (iv) applying as specified in the Final Terms. "Knock-out Determination Day" means <i>[insert date]</i>. "Knock-out Determination Period" means <i>[insert dates]</i>. "Knock-out [Level][Price]" means <i>[specify]</i>. "Knock-out Value" means <i>[insert value]</i>. "Lever Down" means <i>[specify percentage]</i>. "Leverage" means <i>[specify percentage]</i>. "Lever Up [1][2]" means <i>[specify percentage]</i>. "Local Floor Percentage" means <i>[specify percentage]</i>. "Loss Percentage" means <i>[specify percentage]</i>. "M" means a series of ST Valuation Dates or ST Valuation Periods. "Max" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a semi-colon inside those brackets. "Min" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a semi-colon inside those brackets. "nEDS" means the number of Reference Items in the Basket in respect of which the FR Value is [less than or equal to][less than] EDS Barrier Percentage. "Option" means [Put][Put Spread][EDS][Forward]. "Paid Coupon Percentage" means, in respect of an Automatic Early Redemption Valuation Date or Target Determination Date, the sum of the values calculated for each Interest Period as the product of (i) the Rate of Interest and (ii) the Day Count Fraction, in each case for such Interest Period preceding the Current Interest Period (in the case of an Automatic Early Redemption Valuation Date) or the Target Final Interest Period (in the case of a Target Determination Date). "Physical Delivery Price" means, in respect of a ST Valuation Date, the RI Closing Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date. "Put" means Max [Strike Percentage – FR Value; 0]. "Put Cap Percentage" means <i>[specify percentage]</i>. "Put Constant Percentage" means <i>[specify percentage]</i>. "Put Floor Percentage" means <i>[specify percentage]</i>. "Put Leverage" means <i>[specify percentage]</i>. "Put Spread" means Min [Max [Strike Percentage – FR Value; 0]; Cap Percentage]. "Put Strike Percentage" means <i>[specify percentage]</i>. "RA Barrier [1][2][3][4]" means, in respect of a Reference Item, <i>[specify percentage]</i>. "RA Barrier Value" means <i>[specify other relevant term from this summary]</i> in respect of a ST Coupon Valuation Date and a Reference Item, the <i>[specify relevant definition]</i> [the Reference Spread]. "Ranking" means, in respect of a ST Valuation Date, the ordinal positioning of each Reference Item by RI Value from lowest RI Value to greatest RI Value in respect of such ST Valuation Date. "Redemption Barrier [1][2][3][4]" means <i>[specify amount, percentage or number]</i>. "Reference Item [1],[2],...,[N]" means <i>[specify asset(s) or reference base(s)]</i>. "Reference Item Rate [1][2]" means, in respect of a ST Valuation Date or a ST Coupon Valuation Date, the relevant rate of interest determined pursuant to Condition 5(b). For this purpose, references in Condition 5(b) to the applicable Rate of Interest being determined for each Interest Period shall be construed to be to such Rate of Interest being determined for the applicable ST Valuation Date, ST Coupon Valuation Date or, as the case may be, ST Coupon Valuation Period. The publication requirements set out in Condition 5(b)(x) shall not apply where the Rate of Interest is a Reference Item Rate only. "RI Weighting" means, in respect of a Reference Item, <i>[specify number, amount or percentage]</i>. "Strike Percentage [1][2]" means <i>[specify percentage]</i>. "Sum Rate(n)" means the sum of the Rate(n) determined on the ST FR Valuation Date. "T" means <i>[specify number]</i>, being the total number of ST Coupon Valuation Dates from and including the issue date to but excluding the maturity date as specified in Element C.16 (<i>Expiration or maturity date of the Notes</i>) below. "Target Coupon Percentage" means <i>[specify percentage]</i>. "Total M" means <i>[specify number]</i>, being the total number of [ST Valuation Dates][ST Valuation Periods] for the Notes. "Weighting" means <i>[specify in relation to each Reference Item comprising the Basket]</i>. Value Definitions

Element	Title	
		"Accumulated Coupon" means, in respect of an Automatic Early Redemption Valuation Date, the sum of the values calculated for each Interest Period including the Current Interest Period as the product of (i) the Rate of Interest and (ii) the day count fraction, in each case for such Interest Period. "Average Basket Value" means, in respect of a ST Valuation Period, the arithmetic average of the Basket Values on each ST Valuation Date in such ST Valuation Period. "Average Best Value" means, in respect of a ST Valuation Period, the arithmetic average of the Best Values on each ST Valuation Date in such ST Valuation Period. "Average Rainbow Value" means, in respect of a ST Valuation Period, the arithmetic average of the Rainbow Values on each ST Valuation Date in such ST Valuation Period. "Average RI Value" means, in respect of a Reference Item and a ST Valuation Period, the arithmetic average of the RI Values for such Reference Item on each ST Valuation Date in such ST Valuation Period. "Average Worst Value" means, in respect of a ST Valuation Period, the arithmetic average of the Worst Values on each ST Valuation Date in such ST Valuation Period. "Barrier Initial Average Price" means an amount equal to the product of (x) the arithmetic average of the RI Closing Values for a Reference Item on each Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price. "Barrier Initial Price" means a price equal to the product of (x) the RI Closing Value for a Reference Item on the Strike Date and (y) the Barrier Percentage Strike Price. "Barrier Initial Maximum Price" means a price equal to the product of (x) the greatest RI Closing Value for a Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price. "Barrier Initial Minimum Price" means an amount equal to the product of (x) the lowest RI Closing Value for such Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price. "Barrier Percentage Strike Price" means <i>[specify percentage]</i>. "Basket Performance" means, in respect of a ST Valuation Date, (a) the Basket Value in respect of such day minus (b) 100%. "Basket Value" means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the RI Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting. "Basket Intraday Value" means, in respect of a ST Valuation Date, [and any time at which a value for all the Reference Items in the Basket is calculated], the sum of the values calculated for each Reference Item in the Basket at such time as (a) the RI Intraday Value for such Reference Item is calculated in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting. "Best Intraday Value" means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the highest or equal highest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date. "Best Value" means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the highest or equal highest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date. "FX Average Level" means the arithmetic average of the RI FX Levels for a Reference Item on each Strike Day in the Strike Period. "FX Closing Level" means the RI FX Level for a Reference Item on the Strike Date. "FX Maximum Level" means the greatest RI FX Level for a Reference Item on any Strike Day in the Strike Period. "FX Minimum Level" means the lowest RI FX Level for a Reference Item on any Strike Day in the Strike Period. "FX Value" means, in respect of a Reference Item and any day either: (i) the RI FX Level for such day divided by the RI FX Strike Level; or (ii) the RI FX Strike Level divided by the RI FX Level for such day, as specified in the Applicable Transaction Terms. "Highest Basket Value" means, in respect of a ST Valuation Period, the highest or equal highest Basket Value on any ST Valuation Date in such ST Valuation Period. "Highest Best Intraday Value" means, in respect of a ST Valuation Period, the highest or equal highest Best Intraday Value on any ST Valuation Date in such ST Valuation Period. "Highest Best Value" means, in respect of a ST Valuation Period, the highest or equal highest Best Value on any ST Valuation Date in such ST Valuation Period. "Highest Rainbow Value" means, in respect of a ST Valuation Period, the highest or equal highest Rainbow Value on any ST Valuation Date in such ST Valuation Period. "Highest RI Intraday Value" means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period. "Highest RI Value" means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Value for such Reference Item on any ST Valuation Date in such ST Valuation Period. "Highest Worst Value" means, in respect of a ST Valuation Period, the highest or equal highest Worst Value on any ST Valuation Date in such ST Valuation Period. "Inflation Rate" means, in respect of a [ST Valuation Date][ST Valuation Period][specify relevant term from this summary for a Reference Item which is an Inflation Index]. "Initial Average Price" means, for a Reference Item, the arithmetic average of the RI Closing Value for a Reference Item on each Strike Day in the Strike Period. "Initial Closing Price" means the RI Closing Value of a Reference Item on the Strike Date. "Initial Maximum Price" means the highest RI Closing Value for a Reference Item on any Strike

Element	Title	
		Day in the Strike Period. "Initial Minimum Price" means the lowest RI Closing Value for a Reference Item on any Strike Day in the Strike Period. "Intraday Level" means, in respect of a Share Index and subject to the Equity Linked Conditions, an amount equal to the level (which shall be deemed to be an amount in the currency of the Share Index) of such Share Index as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchanges, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date [multiplied by the FX Value]. "Intraday Price" means, in respect of: (i) a Share or a Fund Share and subject to the Equity Linked Conditions or the Fund Linked Conditions, as applicable, an amount equal to the price of such Share or Fund Share quoted on the relevant Exchange as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date [multiplied by the FX Value] and (ii) a Subject Currency and subject to the Foreign Exchange (FX) Rate Conditions, a rate determined by reference to the definition of Settlement Price in the Foreign Exchange (FX) Conditions by the Calculation Agent and for such purpose the applicable Valuation Time shall be any relevant time on the relevant ST Valuation Date. "Inverse Performance" means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Inverse Value in respect of such day minus (b) 100% [and multiplied by (c) the FX Value]. "Lowest Basket Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Basket Value on any ST Valuation Date in such ST Valuation Period. "Lowest Best Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Best Value on any ST Valuation Date in such ST Valuation Period. "Lowest Rainbow Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Rainbow Value on any ST Valuation Date in such ST Valuation Period. "Lowest RI Intraday Value" means, in respect of a Reference Item and a ST Valuation Period, the lowest or equal lowest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period. "Lowest RI Value" means, in respect of a Reference Item and a ST Valuation Period, the lowest or equal lowest RI Value for such Reference Item for all the ST Valuation Dates in such ST Valuation Period. "Lowest Worst Intraday Value" means, in respect of a ST Valuation Period, the lowest Worst Intraday Value on any ST Valuation Date in such ST Valuation Period. "Lowest Worst Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Worst Value on any ST Valuation Date in such ST Valuation Period. "Performance" means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Value for such Reference Item in respect of such day minus (b) 100% [, and multiplied by (c) the FX Value] "Performing RI Strike Price" means, in respect of a ST Valuation Date, the RI Initial Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date. "Rainbow Value" means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the Ranked Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting. "Ranked Value" means, in respect of a ST Valuation Date, the RI Value in respect of the Reference Item with the [first][second][specify] Ranking in respect of such ST Valuation Date. "Ranking" means, in respect of a ST Valuation Date, the ordinal positioning of each Reference Item by RI Value from lowest RI Value to greatest RI Value in respect of such ST Valuation Date. "Rate [A][B][C]" means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period], [specify fixed rate][specify floating rate][[+/-][specify margin%][the Call Rate][the Call Spread Rate][Inflation Rate]. "Reference Item Rate [1][2]" means, in respect of a ST Valuation Date or a ST Coupon Valuation Date, the relevant Rate of Interest determined pursuant to Condition 5(b) and on the basis of item 52 of the applicable Final Terms. "Restrike Performance" means, in respect of a Reference Item and a ST Valuation Date (a) (i) the RI Closing Value for such Reference Item in respect of such day divided by (ii) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or, if none, the Strike Date (b) less 100% [, and multiplied by (c) the FX Value] "RI Average Value" means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of [(a)] the RI Closing Value for such Reference Item in respect of each [set of] Averaging Date[s] specified in relation to such ST Valuation Date [multiplied by (b) the FX Value]. "RI Closing Value" means, in respect of a Reference Item and a ST Valuation Date: (a) if the relevant Reference Item is a share index, the settlement level; (b) if the relevant Reference Item is a share, the settlement price; (c) if the relevant Reference Item is an inflation index, the relevant level; (d) if the relevant Reference Item is a fund share of an exchange traded fund, the settlement price; (e) if the relevant Reference Item is a fund, the NAV per fund share; (f) if the relevant Reference Item is a subject currency, the settlement price; (g) if the relevant Reference Item is a rate of interest, the reference item rate; and (h) if the relevant Reference Item is a reference spread, the reference spread, in each case on such ST Valuation Date. "RI Composite Value" means, in respect of a Reference Item and a ST Valuation Date, the [highest or equal highest of][lowest or equal lowest of][arithmetic average of] the RI Average Values in respect of such ST Valuation Date.

Element	Title	
		"RI FX Level" means, for the purpose of converting an amount in respect of a Reference Item into the specified currency on <i>[specify date(s)]</i> <i>[insert relevant rate and, if applicable, observation time]</i> (or any successor to such page or service) or if it is not reasonably practicable to determine the RI FX Level from such source, the RI FX Level will be determined by the Calculation Agent as the rate it determines would have prevailed but for such impracticability by reference to such source(s) as it deems appropriate the rate at which the Calculation Agent determines the relevant Reference Item amount could be converted into the specified currency (expressed as the Calculation Agent determines appropriate) at or about the time and by reference to such source(s) as the Calculation Agent deems appropriate. "RI FX Rate" means (i) the RI FX Level, (ii) the FX Value or (iii) the number, as specified in the applicable Applicable Transaction Terms. "RI FX Strike Level" means, in respect of a Reference Item, <i>[specify rate]</i> <i>[FX Closing Level]</i> <i>[FX Maximum Level]</i> <i>[FX Minimum Level]</i> <i>[FX Average Level]</i>. "RI Growing Average Value" means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of <i>[(a)][(i)]</i> the RI Closing Value for such Reference Item in respect of each Averaging Date[s] specified in relation to such ST Valuation Date on which the RI Closing Value is <i>[equal to or]</i> <i>[higher than]</i> the RI Closing Value in respect of the immediately preceding Averaging Date or if none, the RI Initial Value, divided by <i>[(ii)]</i> the relevant RI Initial Value <i>[multiplied by (b) the FX Value]</i>. "RI Initial Value" means, in respect of a Reference Item, <i>[specify price]</i> <i>[Initial Closing Price]</i> <i>[Initial Maximum Price]</i> <i>[Initial Minimum Price]</i> <i>[Initial Average Price]</i> <i>[Barrier Initial Price]</i> <i>[Barrier Initial Maximum Price]</i> <i>[Barrier Initial Minimum Price]</i> <i>[Barrier Initial Average Price]</i>. "RI Intraday Level" means: (a) if the relevant Reference Item is a share index, the Intraday Level; or (b) if the relevant Reference Item is a share or a fund share, or a subject currency, the Intraday Price. "RI Intraday Value" means, in respect of a Reference Item and a ST Valuation Date, <i>[(a)]</i> (i) the RI Intraday Level for such Reference Item in respect of such ST Valuation Date (ii) divided by the relevant RI Initial Value <i>[multiplied by (b) FX Value]</i>. "RI Inverse Value" means, in respect of a Reference Item and a ST Valuation Date, <i>[(a)]</i> (i) the RI Initial Value divided by (ii) the <i>[RI Closing Value]</i> <i>[RI Average Value]</i> for such Reference Item in respect of such ST Valuation Date <i>[multiplied by (b) the FX Value]</i>. "RI Restrike Value" means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Closing Value for such Reference Item in respect of such ST Valuation Date divided by (b) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or if none, the Strike Date. "RI Value" means, in respect of a Reference Item and a ST Valuation Date, <i>[(a)]</i> (i) the <i>[RI Closing Value]</i> <i>[RI Average Value]</i> for such Reference Item in respect of such ST Valuation Date, divided by (ii) the relevant RI Initial Value <i>[multiplied by (b) the FX Value]</i>. "Worst Intraday Value" means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the lowest or equal lowest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date. "Worst Inverse Value" means in respect of ST Valuation Date, the RI Inverse Value for the Reference Item(s) with the lowest or equal lowest RI Inverse Value for any Reference Item in the Basket in respect of such ST Valuation Date. "Worst Value" means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the lowest or equal lowest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date. Dates and Periods Payments of interest and principal on the Notes may be associated with ST Valuation Dates and/or ST Valuation Periods, as the case may be, as specified in the Applicable Transaction Terms. For the avoidance of doubt, several set of dates may be used for the determination and calculation of a particular payout. "Automatic Early Redemption Valuation Date" means <i>[specify date]</i>. "Averaging Date" means <i>[specify date]</i>. "Determination Date" means <i>[specify date]</i>. "Settlement Level Date" means <i>[specify date]</i>. "Settlement Price Date" means <i>[specify date]</i>. "ST Coupon Valuation Date(s)" means each <i>[Averaging Date]</i> <i>[Strike Date]</i> <i>[Interest Determination Date]</i> <i>[Interest Payment Date]</i> <i>[Determination Date]</i> <i>[Knock-in Determination Day]</i> <i>[Knock-out Determination Day]</i> <i>[Settlement Level Date]</i> <i>[Settlement Price Date]</i> <i>[Valuation Date]</i> <i>[Range Accrual Day]</i> <i>[and]</i> <i>[Range Period End Date]</i>. "ST Coupon Valuation Period" means <i>[the period from and including [specify] to and including [specify]]</i> <i>[each][the]</i> <i>[Interest Period]</i> <i>[Range Period]</i>. "ST ER Valuation Date" means each <i>[Averaging Date]</i> <i>[Settlement Level Date]</i> <i>[Settlement Price Date]</i> <i>[Determination Date]</i> <i>[Calculation Date]</i> <i>[Automatic Early Redemption Valuation Date]</i> <i>[Knock-in Determination Day]</i> <i>[Knock-out Determination Day]</i>. "ST ER Valuation Period" means the period from and including <i>[specify]</i> to and including <i>[specify]</i>. "ST FR Valuation Date" means each <i>[Averaging Date]</i> <i>[Settlement Level Date]</i> <i>[Settlement Price Date]</i> <i>[Determination Date]</i> <i>[Calculation Date]</i> <i>[Automatic Early Redemption Valuation Date]</i> <i>[Knock-in Determination Day]</i> <i>[Knock-out Determination Day]</i>. "ST FR Valuation Period" means the period from and including <i>[specify]</i> to and including <i>[specify]</i>.

Element	Title
	"ST Redemption Valuation Date" means each [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day]. "ST Redemption Valuation Period" means the period from and including [specify] to and including [specify]. "Strike Date" means [specify date]. "Strike Day" means [specify day]. "ST Valuation Date" means each [Coupon Valuation Date][Strike Date][Redemption Valuation Date][ST Coupon Valuation Date][ST ER Valuation Date][ST FR Valuation Date][ST Redemption Valuation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day][Range Accrual Day]. "ST Valuation Period" means each [ST Coupon Valuation Period][ST ER Valuation Period][ST FR Valuation Period][ST Redemption Valuation Period][Automatic Early Redemption Valuation Period][Knock-in Determination Period][Knock-out Determination Period]. "Target Determination Date" means [specify date]. "Target Final Interest Period" means the Interest Period ending on but excluding the Maturity Date. Conditional Conditions "Final Redemption Condition" means, in respect of a [ST Valuation Date][ST Valuation Period], that the Final Redemption Value [on such ST Valuation Date][in respect of such ST Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level. "Final Redemption Condition 1" means, in respect of a [ST Valuation Date][ST Valuation Period], that the Final Redemption Value [on such ST Valuation Dates][in respect of such ST Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level 1. "Final Redemption Condition 2" means, in respect of a [ST Valuation Date] [ST Valuation Period] that the Final Redemption Value on such [ST Valuation Date][in respect of such ST Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level [1], but is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level 2.] "Barrier Count Condition" shall be satisfied if, in respect of a ST Coupon Valuation Date, the Coupon Barrier Value on such ST Coupon Valuation Date, as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier. "Booster Condition" shall be satisfied if, in respect of a [ST Valuation Date][ST Valuation Period], the Booster Value [on each Observation Date in respect of such [ST Valuation Date][in respect of such ST Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Booster Level. <i>The above provisions are subject to adjustment as provided in the conditions of the Notes to take into account events in relation to the underlying or the Notes. This may lead to adjustments being made to the Notes or in some cases to the Notes being terminated early at an early redemption or cancellation amount.</i> <i>[Credit Linked Notes]</i> The Issuer will redeem the Notes and pay interest as provided above, subject to the credit linked provisions below. If a Credit Event (being a [bankruptcy[,]] [failure to pay[,]] [obligation acceleration[,]] [obligation default[,]] [repudiation/moratorium[,]] [governmental intervention[,]] [or] [restructuring] [<i>include all that apply</i>]), occurs in respect of the Reference Entity (being [specify reference entity] or any successor(s) (the "Reference Entity"), the Calculation Agent may determine that a Credit Event Determination Date has occurred. In this case interest will be determined as set out below and the Notes will be settled as provided below. [If the Calculation Agent determines that a Credit Event Determination Date has occurred, [each Note shall cease to bear interest from (and including) the Interest Payment Date immediately preceding or, if the Credit Event Determination Date is an Interest Payment Date, coinciding with the Credit Event Determination Date or, if the Credit Event Determination Date falls on or prior to the first Interest Payment Date, no interest shall accrue on the Notes] [each Note shall cease to bear interest from the Credit Event Determination Date]. <i>[Insert for Cash-settled or Auction settled credit linked notes: The Issuer will redeem the Notes at the Credit Event Redemption Amount in respect of the Notes on the Credit Event Redemption Date</i> <i>[Insert for Auction-to-physical settlement credit linked note: unless, following the occurrence of certain events, the Issuer is required to fallback to redemption of the Notes by physical settlement].</i> Where: "Credit Event Redemption Date" means, the day falling [specify] [five] Business Days following the latest of (i) the [Insert for Auction settled credit linked notes: auction settlement date [Insert for Auction-to-cash settlement credit linked note: or if certain events occur prior to settlement, the calculation of the Final Price] [or] [Insert for cash settled credit linked notes: the calculation of the Final Price], (ii) the credit event determination date [and] (iii) the date when the credit event notice is delivered[, or [(iv)] such later date for payment determined under the Settlement Exchange Rate]. "Credit Event Redemption Amount" means: [[specify] per Calculation Amount]/[an amount calculated by the Calculation Agent equal to $(A \times B) - C$, where: "A" is the Calculation Amount; "B" is the [Insert for cash settled credit linked notes: [Final Price] [Auction Final Price][Insert for Auction-to-cash settlement credit linked note: or, if the Auction Final Price is not to be determined following the occurrence of certain events, the Final Price]]; and

Element	Title	
		"C" is [specify][an amount equal to the sum of all costs, fees, charges, expenses, tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Notes and the related termination, settlement or re-establishment of any hedging arrangements, such amount to be apportioned pro rata among each of the Notes]. "Auction Final Price" means the recovery amount (expressed as a percentage) determined by the Calculation Agent by reference to the price determined for obligations of the relevant Reference Entity by the relevant auction procedure; and "Final Price" means the recovery amount (expressed as a percentage) determined by the Calculation Agent in respect of obligations of the relevant Reference Entity. The Credit Event Redemption Amount shall not be less than zero.] <i>[Insert for Auction-to-physical settled credit linked notes and physically settled credit linked notes: [Insert for Insert for Auction-to-physical settled credit linked notes: In the event of the occurrence of certain events that mean the physical settlement fallback applies, the] [The] Issuer will redeem the Notes by physical delivery of the deliverable obligations (which, subject to subsequent amendment, shall be notified to the Noteholders in a Notice of Physical Settlement) comprising the Asset Amount.</i> In certain situations it may not be possible for all obligations comprising the Asset Amount to be delivered, in which case the Issuer shall pay a cash amount in respect of each such obligation to each relevant Noteholder. Where: "Asset Amount", in respect of each principal amount of Credit Linked Notes equal to the Calculation Amount, deliverable obligations with an outstanding principal balance; or a due and payable amount, as applicable in an aggregate amount as of the relevant date for delivery at least equal to the Calculation Amount <i>[Insert if Unwind Costs applies: less deliverable obligations with a market value determined by the Calculation Agent on the business day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the date for delivery equal to the unwind costs].</i>
C.10	Derivative component in the interest payments:	[Not applicable – The Notes do not have a derivative component in the interest payment.] [Issue specific summary: Interest is payable on the Notes on the basis set out in Element C.9 (<i>Payment Features</i>) above save that [the/each] rate of interest is [●][determined as follows:] <i>Worst Case Scenario: In a worst case scenario the interest amount payable per Note at the Maturity Date will be [●] if [●].]</i> (a) Rate of Interest (i) Rate(i) (b) Rate of Interest (ii) Leverage(i) * Rate(i) + Spread(i) (c) Rate of Interest (iii) Leverage(i) * Reference Spread(i) + Spread(i) (d) Rate of Interest (iv) Previous Interest(i) + Leverage(i) * Reference Item Rate(i) + Spread(i) (e) Rate of Interest (v) Leverage(i) * (Coupon Value(i) + Spread(i)) + Constant Percentage(i) (f) Rate of Interest (vi) Constant Percentage(i) + Max [Floor Percentage; Leverage(i) * (Coupon Value(i) – Strike Percentage)] (g) Rate of Interest (vii) Constant Percentage(i) + Min [Cap Percentage; Max [Floor Percentage; Leverage(i) * (Coupon Value(i) – Strike Percentage)]] (h) Rate of Interest (viii) - Range Accrual Leverage(i) * (Rate(i) + Spread(i)) * n/N (i) Rate of Interest (ix) - Digital One Barrier (i) If Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]: [Constant Percentage[1]][select and insert the interest payout formula from one of "Rate of Interest(i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph may be different from the interest payout formula for the following paragraph]; and (ii) otherwise: [zero][Constant Percentage[2]][select and insert the interest payout formula from one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph may be different from the interest payout formula for the above paragraph] (j) Rate of Interest (x) - Podium (i) If Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]: [Constant Percentage 1][select and insert the interest payout formula from any one of

Element	Title	
		"Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; (ii) If Coupon Barrier Condition [2] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period] and Coupon Barrier Condition [1] is not satisfied in respect of [ST Coupon Valuation Date][ST Coupon Valuation Period]: [Constant Percentage 2][select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph may be different from the interest payout formula for the above paragraph]; and (iii) Otherwise: [zero][Constant Percentage 3][select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph may be different from the interest payout formula for the above paragraphs]. (The above provisions may be duplicated in case more than two Coupon Barriers apply) (k) Rate of Interest (xi) – Memory Coupon If the Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date: Rate(i) + SumRate(i); or Otherwise, zero. (l) Rate of Interest (xii) - Counter Rate(i) * n (m) Rate of Interest (xiii) - Variable Counter Rate(n) (n) Rate of Interest (xiv) - Call with Individual Cap $\text{Max} \left[\text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i, k)]] - \text{StrikePercentage}(i)) + \text{ConstantPercentage}(i) \right]$ (o) Rate of Interest (xv) - Cappuccino $\text{Max} \left[\text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{CappuccinoBarrierValue}(i, k)]] - \text{StrikePercentage}(i) \right] + \text{ConstantPercentage}(i)$ (p) Rate of Interest (xvi) - Fixed Best $\text{Max} \left[\text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{ModifiedValue}(i, k)]] - \text{StrikePercentage}(i) \right]$ (q) Rate of Interest (xvii) - Cliquet $\text{Max} \left[\sum_{i=1}^T (\text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}; \text{FloorPercentage1} \right]$ (r) Rate of Interest (xviii) - Cliquet Digital (i) If Cliquet Digital Performance is greater than Constant Percentage 1: Cliquet Digital Performance; or (ii) If Cliquet Digital Performance is greater than or equal to Constant Percentage 2 and is less than or equal to Constant Percentage 1: Constant Percentage 1; or (iii) If Cliquet Digital Performance is less than Constant Percentage 2: Constant Percentage 2. (s) Rate of Interest (xix) - Cliquet Digital Lock in $\text{Max} \left[\text{FloorLockin}; \sum_{i=1}^T (\text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}; \text{FloorPercentage1} \right]$ (t) Rate of Interest (xx) - Digital Coupon One Condition (A) If the Digital Coupon Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]: Rate A(i); or (B) If the Digital Coupon Condition 1 is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]: Rate B(i). (u) Rate of Interest (xxi) - Digital Coupon Two Conditions (A) If the Digital Coupon Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]: Rate A(i); (B) If the Digital Coupon Condition 1 is not satisfied in respect of [ST Coupon Valuation Date][ST Coupon Valuation Period], but the Digital Coupon Condition 2 is satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]: Rate B(i); and (C) Otherwise: Rate C(i). (v) Rate of Interest (xxii) - TARN (i) In respect of each Interest Period other than the Target Final Interest Period: [select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"]; and

Element	Title													
		(ii)in respect of the Target Final Interest Period and provided that an Automatic Early Redemption Event has not occurred: Final Interest Rate. (w)Rate of Interest (xxiii) - Ratchet Min [Cap; Max [Previous Interest (i); Rate(i)]] (x)Rate of Interest (xxiv) - Booster (insert the following if a cap is applicable) Constant Percentage + Min [Cap Percentage; Max [Floor Percentage, Booster Number * Constant Percentage 2]] (insert the following if a cap is not applicable) Constant Percentage + Max [Floor Percentage, Booster Number * Constant Percentage 2]												
		(y)Rate of Interest (xxv) Coupon Value (i) (z)Rate of Interest (xxvi) – Call Option Interest Rate (A)in respect of the first Interest Payment Date: [specify percentage] (B)in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Issuer Call is exercised, the percentage specified in the table below in respect of such Interest Payment Date:<table><tr><th>Interest Payment Date</th><th>Percentage</th></tr><tr><td>[specify]</td><td>[specify]%</td></tr><tr><td>[Repeat as necessary in each row.]</td><td>[Repeat as necessary in each row.]</td></tr></table> (C)in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Issuer Call is not exercised, [specify percentage] (D)in respect of the Final Interest Payment Date: [select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" or "Rate of Interest (xxv)" (inclusive)] (aa)Rate of Interest (xxvii) – Put Option Interest Rate (A)in respect of the first Interest Payment Date: [specify percentage] (B)in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Noteholder Put is exercised, the percentage specified in the table below in respect of such Interest Payment Date:<table><tr><th>Interest Payment Date</th><th>Percentage</th></tr><tr><td>[specify]</td><td>[specify]%</td></tr><tr><td>[Repeat as necessary in each row.]</td><td>[Repeat as necessary in each row.]</td></tr></table> (C)in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Noteholder Put is not exercised, [specify percentage] (D)in respect of the Final Interest Payment Date: [select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" or "Rate of Interest (xxv)" (inclusive)]	Interest Payment Date	Percentage	[specify]	[specify]%	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	Interest Payment Date	Percentage	[specify]	[specify]%	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]
Interest Payment Date	Percentage													
[specify]	[specify]%													
[Repeat as necessary in each row.]	[Repeat as necessary in each row.]													
Interest Payment Date	Percentage													
[specify]	[specify]%													
[Repeat as necessary in each row.]	[Repeat as necessary in each row.]													

Element	Title	
		(bb) Rate of interest (xxviii) – Lock in (A) If Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][then in respect of the related Interest Payment Date][and provided that [(B)] [or] [(C)] below [is][are] not also satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]]: [zero][Constant Percentage 1][Rate(i)+SumRate(i)][<i>select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"</i>] [and in respect of each subsequent Interest Payment Date]: [zero][Constant Percentage 1][2][3][4]][<i>select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"</i>]; or] [Otherwise: [zero][Constant Percentage 1][2][3][4]][<i>select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"</i>][Rate(i)+SumRate(i)]. (B) [Not applicable] If Coupon Barrier Condition [2] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][then (A) above will not apply] and [in respect of the related Interest Payment Date][and each subsequent Interest Payment Date][and provided that [(C)] below [is] not also satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]]: [zero][Constant Percentage 1][2][3][4]][<i>select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"</i>][Rate(i)+SumRate(i)]; <i>for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formula for the above paragraph</i>. (C) [Not applicable] If Coupon Barrier Condition [3] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][then (A) and (B) above will not apply] [in respect of the related Interest Payment Date][and each subsequent Interest Payment Date]: [zero][Constant Percentage 1][<i>select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"</i>][Rate(i)+SumRate(i)]; <i>for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formulae for (A) and (B) respectively</i> (D) [Provided] [further] [that if no Lock in has occurred] [the Rate of Interest in respect of the Final Interest Payment Date will be [zero][Constant Percentage 4][<i>select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive)</i>][Rate(i)+SumRate(i)]; <i>for the avoidance of doubt the selected final payout formula for this paragraph (D) may be different from the final payout formula for the above payout formulae for (A), (B) and (C) respectively</i>].
		Definitions Please also see definitions contained in Element C.9 (Payout Features) [or insert relevant definitions from that element here]. "Call Rate" means: Constant Percentage(i) + Leverage(i) * Max [Coupon Value(i) – Strike Percentage(i) + Spread(i); Floor Percentage(i)] "Call Spread Rate" means: Constant Percentage(i) + Leverage(i) * Min [Max [Coupon Value(i) – Strike Percentage(i) + Spread(i); Floor Percentage(i)]; Cap Percentage(i)] "Cappuccino Barrier Value" means: (a) If in respect of a ST Valuation Date the Cappuccino Barrier Condition is satisfied, Cap Percentage(i); and (b) Otherwise, Coupon Barrier Value(i,k). "Cliquet Digital Performance" means, in respect of a [ST Valuation Date][ST Valuation Period]: $\sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]]$ "Coupon Barrier[1][2][3][4][5]" means [<i>specify amount, percentage or number</i>]. "Coupon Barrier Value" means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period], [and in respect of [each][of] Reference Item (k=[<i>specify</i>] to (k=[<i>specify</i>])) [<i>specify relevant term from this summary</i>]. "Coupon Lock in" means: $\text{Max}_{t=1}^T \left[\sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] \right]$ "Coupon Value" means, in respect of a ST Coupon Valuation Date or ST Coupon Valuation Period, [<i>specify relevant term from this summary</i>].

Element	Title	
		"Final Interest Rate" means <i>[insert one of the following][specify][zero]:</i> <i>[insert if capped and guaranteed][the AER Percentage][Target Coupon Percentage] less Paid Coupon Percentage.</i> <i>[insert if not capped or guaranteed][the Final Coupon Rate multiplied by the Final Day Count Fraction.]</i> <i>[insert if capped only][Min [Final Coupon Rate * Final Day Count Fraction; the AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].]</i> <i>[insert if guaranteed only][Max [Final Coupon Rate * Final Day Count Fraction; the AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage]].</i> "Final Redemption Condition Level [1][2][3][4]" means <i>[specify amount or percentage or number]</i>. "Final Redemption Value" means in respect of a [ST Valuation Date][ST Valuation Period]<i>[specify relevant term from this summary]</i>. "Fixed Best Percentage" means <i>[specify percentage]</i>. "Lock in" will have occurred if "(xxviii) "Rate of interest (xxviii) – Lock in" (A) has been satisfied provided that (B) or (C) are not also satisfied". "Min Coupon" means <i>[specify percentage]</i>. "Modified Value(i,k)" means: (a) if the Coupon Value(i,k) is one of the nfixed greatest value in the basket of the Reference Items, the Fixed Best Percentage; and (b) otherwise, Coupon Value(i,k). "n" means: (a) in respect of "Rate of Interest (xiii) – Counter" in respect of a ST Coupon Valuation Date, the number calculated as the number of ST Coupon Valuation Dates (in the period from the Issue Date to and including such ST Coupon Valuation Date) on which the Barrier Count Condition is satisfied; and (b) in respect of "Rate of Interest (ix) – Range Accrual" in respect of a ST Coupon Valuation Date, the number of Range Accrual Days in the relevant Range Period on which the [Range Accrual Coupon Condition][Range Accrual Countdown Condition] is satisfied. "N" means: (a) in respect of "Rate of Interest (xiv) – Variable Counter" and in respect of "Rate of Interest (xvii) – Podium", <i>[specify number]</i> being the maximum number of times that the Barrier Count Condition may be satisfied from [and including] the Issue Date to [but excluding] the Maturity Date. (b) in respect of "Rate of Interest (ix) – Range Accrual" is for each ST Coupon Valuation Date the total number of Range Accrual Days in the relevant Range Period. "nfixed" means <i>[specify number]</i>. "Previous Interest" means, in respect of a ST Coupon Valuation Date, the Rate of Interest determined on the ST Coupon Valuation Date immediately preceding such ST Coupon Valuation Date or, in respect of the first ST Coupon Valuation Date, zero. "Range Period" means <i>[specify period][each][the][Interest Period]</i>, [and the final date of each such period, the "Range Period End Date".] "Rate(i) [A][B][C]" means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period], <i>[specify fixed rate][specify floating rate][the Call Rate][the Call Spread Rate][Inflation Rate]</i>. "Rate(n)" (from n = 1 to n = N) means: (a) in respect of "Rate of Interest (xiv) - Variable Counter" on any ST Coupon Valuation Date, the rate specified in the Applicable Transaction Terms and associated with the number of times that Barrier Count Condition is satisfied on the relevant ST Coupon Valuation Date; and (b) in respect of "Redemption (xvii) - Memory" on any ST Coupon Valuation Date, the rate specified in the Applicable Transaction Terms and associated with the number of Reference Items in the Basket for which the Podium Condition is satisfied on the relevant ST Coupon Valuation Date. "Reference Spread [1][2]" means Reference Item Rate [1][2] minus Reference Item Rate [1][2].<i>[NB Complete Reference Item Rates 1 and 2 to reflect ISDA Determination for relevant CMS Rates. Repeat for further Reference Spread(s) as necessary]</i>. "Spread" means <i>[specify percentage]</i>. "Sum Rate" means, in respect of each ST Coupon Valuation Date, the sum of all previous Rates for each ST Coupon Valuation Date since (but not including) the last occurring date on which the relevant Barrier Count Condition was satisfied (or if none the Issue Date). Dates and Periods "Final Interest Payment Date" means the Maturity Date. "Range Accrual Cut-Off Date" means [in respect of [each][a] Reference Item [(k)] and] [in respect of any [Range Period] <i>[specify other period]</i> [the][each] date specified as such in the Applicable Transaction Terms] or, otherwise, the date falling <i>[specify number]</i> [calendar days] [Business Days] [Scheduled Trading Days [as defined in the <i>[specify]</i> Conditions] <i>[specify other]</i> before the [Range

Element	Title																			
		Period End Date] <i>[specify other]</i> "Range Accrual Day" means [an Exchange Business Day][a Scheduled Trading Day][a Business Day][an Interest Determination Date][a calendar day][an Observation Date]<i>[specify]</i>. "ST Coupon Valuation Date(s)" means each [Averaging Date][Strike Date][Interest Determination Date][Interest Payment Date][Determination Date] [Knock-in Determination Day][Knock-out Determination Day][Settlement Level Date] [Settlement Price Date][Valuation Date] [Range Accrual Day] [and] [Range Period End Date]. "ST Coupon Valuation Period" means [the period from and including <i>[specify]</i> to and including <i>[specify]</i>][each][the][Interest Period][Range Period]. Conditional Conditions "Cappuccino Barrier Condition" means, in respect of a ST Valuation Date, that the Coupon Barrier Value on such ST Valuation Date, as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Coupon Barrier. "Coupon Barrier Condition 1][2][3][4]" means, in respect of [a ST Valuation Date][a ST Valuation Period], that the Coupon Barrier Value on such [ST Valuation Date][ST Valuation Period], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier 1][2][3][4] [but is][greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier 1][2][3][4][5]. "Digital Coupon Condition 1" means: (a) in respect of Reference Item 1, that the Coupon Barrier Value for Reference Item 1 for the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to], the Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 2]<i>[insert (ii) if a Coupon Barrier 2 is specified]</i>; and (b) in respect of Reference Item 2, that the Coupon Barrier Value for Reference Item 2 for the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to], the Coupon Barrier 2]<i>[insert (ii) if a Coupon Barrier 2 is specified]</i><i>[insert (b) if Reference Item 2 is specified]</i>. "Digital Coupon Condition 2" means: (a) in respect of Reference Item 1, that the Coupon Barrier Value for Reference Item 1 for the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 3 [and (ii) [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 4]<i>[insert (ii) if a Coupon Barrier 4 is specified]</i>; and (b) in respect of Reference Item 2, that the Coupon Barrier Value for Reference Item 2 for the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 3 [and (ii) [greater than][less than][equal to or greater than][less than or equal to], the Coupon Barrier 4]<i>[insert (ii) if a Coupon Barrier 4 is specified]</i><i>[insert (b) if Reference Item 2 is specified]</i>. "Lock in" will have occurred if "(xxviii) "Rate of interest (xxviii) – Lock in" (A) has been satisfied provided that (B) or (C) are not also satisfied". "Podium Condition" shall be satisfied if, in respect of a Reference Item and a ST Valuation Date, the Final Redemption Value for such Reference Item on such ST Valuation Date, as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Final Redemption Condition Level. "Range Accrual Countdown Condition" will be deemed satisfied if, in respect of each Range Accrual Day in [the][relevant] Range Period [(n)][from and including <i>[specify]</i> to [and including][but excluding] <i>[specify]</i> for [each] Reference Item (k=[<i>specify</i>])], the Coupon Barrier Value for such Reference Item in respect of each such Range Accrual Day is [(i)] [greater than][less than][equal to or greater than][equal to or less than] the relevant [Upper][Lower] Coupon Barrier <i>[specify number]</i> [and (ii) [greater than][less than][equal to or greater than][equal to or less than] the relevant [Upper][Lower] Coupon Barrier <i>[specify number]</i> (insert (ii) if a Coupon Barrier <i>[specify number]</i> is specified) [as specified in the table below]. <i>(Replicate and complete the above definition multiple times as necessary or complete the below table)</i> <table><tr><th>Range Period n</th><th>From (and including)</th><th>To (but excluding)</th><th>Applicable Reference Item (k)</th><th>[Lower] Coupon Barrier</th><th>[Upper] Coupon Barrier</th></tr><tr><td><i>[specify]</i></td><td><i>[specify date]</i> [Interest Payment Date Falling in <i>[specify]</i>]</td><td><i>[specify date]</i> [Interest Payment Date Falling in <i>[specify]</i>]</td><td>[k=(n)] <i>[specify]</i></td><td><i>[specify]</i>[%]</td><td><i>[specify]</i>[%]</td></tr><tr><td><i>[Repeat as necessary in each row.]</i></td><td><i>[Repeat as necessary in each row.]</i></td><td><i>[Repeat as necessary in each row.]</i></td><td><i>[Repeat as necessary in each row.]</i></td><td><i>[Repeat as necessary in each row.]</i></td><td><i>[Repeat as necessary in each row.]</i></td></tr></table> [The terms and conditions of the Notes set out provisions to address the position where values are (i) not scheduled to be published or are otherwise not published on a Range Accrual Day and (ii) the Range Accrual Day falls after the Range Accrual Cut-Off Date and prior to payment, and these provisions mean that [the previously published value is referenced][the Calculation Agent will determine a value in accordance with specified valuation fallback and adjustment provisions].]	Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier	<i>[specify]</i>	<i>[specify date]</i> [Interest Payment Date Falling in <i>[specify]</i>]	<i>[specify date]</i> [Interest Payment Date Falling in <i>[specify]</i>]	[k=(n)] <i>[specify]</i>	<i>[specify]</i> [%]	<i>[specify]</i> [%]	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>
Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier															
<i>[specify]</i>	<i>[specify date]</i> [Interest Payment Date Falling in <i>[specify]</i>]	<i>[specify date]</i> [Interest Payment Date Falling in <i>[specify]</i>]	[k=(n)] <i>[specify]</i>	<i>[specify]</i> [%]	<i>[specify]</i> [%]															
<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>															

Element	Title																			
		"Range Accrual Coupon Condition" [subject as provided below] will be deemed satisfied: (a) in respect of Reference Item (k=1), that the Coupon Barrier Value for such Reference Item for the relevant Range Accrual Day [in the applicable Range Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the relevant Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to], the relevant Coupon Barrier 2](insert (ii) if a Coupon Barrier 2 is specified); and (b) [in respect of Reference Item (k=n), that the Coupon Barrier Value for such Reference Item for the relevant Range Accrual Day [in the applicable Range Period [(n)]] [from and including [specify] to [and including][but excluding][specify] [for [each] Reference Item (k=[specify])]] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the relevant [Upper][Lower] Coupon Barrier [insert number] and [(ii)] [greater than][less than][equal to or greater than][less than or equal to], the relevant [Upper][Lower] Coupon Barrier[insert number]](insert (ii) if a Coupon Barrier [insert number] is specified) [as specified in the table below](insert this paragraph (b) if Reference Item(k=n) is specified). <table><tr><th>Range Period n</th><th>From (and including)</th><th>To (but excluding)</th><th>Applicable Reference Item (k)</th><th>[Lower] Coupon Barrier</th><th>[Upper] Coupon Barrier</th></tr><tr><td>[specify]</td><td>[specify date][Interest Payment Date Falling in [specify]]</td><td>[specify date][Interest Payment Date Falling in [specify]]</td><td>[k=(n)] [specify]</td><td>[specify][%]</td><td>[specify][%]</td></tr><tr><td>[Repeat as necessary in each row.]</td><td>[Repeat as necessary in each row.]</td><td>[Repeat as necessary in each row.]</td><td>[Repeat as necessary in each row.]</td><td>[Repeat as necessary in each row.]</td><td>[Repeat as necessary in each row.]</td></tr></table>	Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier	[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][%]	[specify][%]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]
Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier															
[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][%]	[specify][%]															
[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]															
		[The terms and conditions of the Notes set out provisions to address the position where values are (i) not scheduled to be published or are otherwise not published on a Range Accrual Day and (ii) the Range Accrual Day falls after the Range Accrual Cut-Off Date and prior to payment, and these provisions mean that [such a day is disregarded][the previously published value is referenced][the Calculation Agent will determine a value in accordance with specified valuation fallback and adjustment provisions].]																		
C.11	Listing and admission to trading:	Notes issued under the Programme may be listed and admitted to trading on the regulated market of the Irish Stock Exchange or such other stock exchange or market located outside Spain or may be unlisted, in each case as may be agreed between the Issuer and the relevant Dealer and specified in the Final Terms. <i>[Delete this paragraph when preparing an issue specific summary]</i> [Issue specific summary: [Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Regulated Market][●] [Not Applicable – the Notes are not listed or admitted to trading.]																		
C.15	Description of how the value of the Note is affected by the value of the underlying asset:	[Issue specific summary – this Element C.15 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended): The [Interest amount/[s] and]/Final Redemption Amount [or Entitlement] ([in each case,] if any) payable [or deliverable] in respect of the Notes [is/are] calculated by reference to the relevant underlying set out in Element C.20 (A description of the type of the underlying and where the information of the underlying can be found) below. Please also see Element C.9 (Payment Features) [and Element C.10 (Derivative component in the interest payments)]. These Notes are derivative securities and their value may go down as well as up. [Insert description of how the value of the Notes is affected by the value of the relevant Reference Item(s)].]																		
C.16	Expiration or maturity date of the Notes:	[Issue specific summary – this Element C.16 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended): [The Maturity Date of the Notes is [●]], subject to adjustment].]																		
C.17	Settlement procedure of derivative securities:	The Notes will be settled on the applicable Maturity Date or relevant delivery date at the relevant amount per Note. [For the purposes of the Issue specific summary, this Element C.17 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]																		
C.18	Return on derivative securities:	[Issue specific summary – this Element C.18 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended): For reference item linked interest Notes, the return is illustrated in Element C.10 (Derivative component in the interest payments) above. For reference item linked redemption Notes, the return is illustrated in Element C.9 (Payment Features) above. These Notes are derivative securities and their value may go down as well as up.]																		
C.19	Exercise price/final reference price of the underlying:	[Issue Specific Summary – this Element C.19 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)] The final reference price of the underlying described in Element C.20 (A description of the type of the underlying and where the information of the underlying can be found) below shall be determined																		

Element	Title	
		on the date(s) for valuation specified in Element C.9 (<i>Payment Features</i>) above subject to adjustment including that such final valuation may occur earlier in some cases.]
C.20	A description of the type of the underlying and where the information of the underlying can be found:	[<i>Issue Specific Summary – this Element C.20 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)</i>] The underlying may be an index or basket of indices, a share or basket of shares, an inflation index or a basket of inflation indices, a fund share or a basket of fund shares, a foreign exchange rate or basket of foreign exchange rates or the credit of a specified entity or entities. [<i>List Reference Item(s) in each case followed by: See [Bloomberg] [Reuters] Screen [●] page [●]].</i>]
C.21	Indication of the market where the securities will be traded and for which prospectus has been published:	Notes issued under the Programme may be listed and admitted to trading on the regulated market of the Irish Stock Exchange or such other stock exchange or market located outside Spain or may be unlisted, in each case as may be agreed between the Issuer and the relevant Dealer and specified in the Final Terms. [<i>Delete this paragraph when preparing an issue specific summary</i>] [<i>Issue specific summary:</i> [Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Regulated Market][●] [Not Applicable – the Notes are not listed or admitted to trading.]

Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuer and the Guarantor:	In purchasing Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified a number of factors which could materially adversely affect their businesses and ability to make payments due. These factors include: Key risks regarding the Issuer and the Guarantor The main risks relating to the Issuer are, among others: • Risk that funds lent by the Issuer to Group companies are not repaid. • Certain Creditors of the Issuer will rank in priority above Noteholders. • Risk in connection with examination. The main risks relating to the Santander Group operation are, among others: • Because the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom, Latin America and the United States, adverse changes affecting the economies of Continental Europe, the United Kingdom, certain Latin American countries or the United States could adversely affect the Group's financial condition. • The Group is vulnerable to disruptions and volatility in the global financial markets. • The Group may suffer adverse effects as a result of economic and sovereign debt tensions in the eurozone. • Exposure to sovereign debt could have a material adverse effect on the Group. • The Group's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions. • The Group is exposed to risk of loss from legal and regulatory proceedings. • The Group is subject to substantial regulation which could adversely affect its business and operations. • Total Loss Absorption Capacity. • Contributions for assisting in the future recovery and resolution of the banking sector. • Failure to successfully implement and continue to improve the Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the Group, and it may be exposed to unidentified or unanticipated risks. • The Group is subject to potential intervention by any of its regulators or supervisors, particularly in response to customer complaints. • The Group is subject to review by taxing authorities, and an incorrect interpretation by the Group of tax laws and regulations may have a material adverse effect on the Group. • The Group may not be able to detect or prevent money laundering and other financial crime activities fully or on a timely basis, which could expose the Group to additional liability and could have a material adverse effect on it. • Changes in taxes and other assessments may adversely affect the Group. • Changes in accounting standards could impact reported earnings. • The Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of the Group's operations and financial position.

Element	Title	
		• Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud. • Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group. • Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and its cost of funds. Any downgrading in the Group's credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of the Group's derivative contracts and adversely affect its interest margins and results of operations. • If the Group is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if the Group's loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on the Group. • The Group's loan and investment portfolios are subject to risk of prepayment, which could have a material effect on the Group. • The value of the collateral securing the Group's loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing its loan portfolio. • The Group is subject to counterparty risk in its banking business. • The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect it. • Market conditions have resulted and could result in material changes to the estimated fair values of the Group's financial assets. Negative fair value adjustments could have a material adverse effect on the Group's operating results, financial condition and prospects. • The Group is subject to market, operational and other related risks associated with its derivative transactions that could have a material adverse effect on it. • The financial problems faced by the Group's customers could adversely affect the Group. • Changes in the Group's pension liabilities and obligations could have a material adverse effect on the Group. • The Group depends in part upon dividends and other funds from subsidiaries. • Increased competition and industry consolidation may adversely affect the Group's results of operations. • The Group's ability to maintain its competitive position depends, in part, on the success of new products and services the Group offers its clients and the Group's ability to continue offering products and services from third parties, and the Group may not be able to manage various risks it faces as it expands its range of products and services that could have a material adverse effect on the Group. • If the Group is unable to manage the growth of its operations this could have an adverse impact on its profitability. • Goodwill impairments may be required in relation to acquired businesses. • The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel. • The Group relies on third parties for important products and services. • Damage to the Group's reputation could cause harm to its business prospects. • The Group engages in transactions with its subsidiaries or affiliates that others may not consider to be on an arm's length basis. • Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group. • Risks relating to data collection, processing and storage systems are inherent in the Group's business. • Failure to protect personal information could adversely affect the Group
D.3	Key risks regarding the Notes:	There are a number of risks associated with an investment in the Notes. These risks include: Risks relating to the Notes • There is no active trading market for the Notes. • The Issue Price may be greater than the market value of the Notes. • The Notes may be redeemed by the Issuer prior to maturity. • Investors may lose the original investment amount • In the case of Global Notes held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedure for transfer, payment and communications with the Issuer and/or the Guarantor. • Hiring Incentives to Restore Employment Act withholding may affect payment on the Notes. • U.S. Foreign Account Tax Compliance Act withholding. • The taking of any action under Law 11/2015 and its developing regulations could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity. • Noteholders may not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution under Law 11/2015. • Claims of holders under the Notes are effectively junior to those of certain other

Element	Title	
		creditors. Risk Factors Relating to Reference Item Linked Notes • General considerations. • EU financial transaction tax. • Fluctuations in the value of the relevant underlying will affect the value of Reference Item Linked Notes. • Certain factors affecting the value and trading price of Reference Item Linked Notes. • Potential conflicts of interest. • Hedging. • Risks relating to Implicit Yield Notes. • Possible illiquidity of the secondary market. • There may be regulatory consequences for a holder of Reference Item Linked Notes. • No rights of ownership in the Reference Item(s). • The past performance of a Reference Item is not indicative of future performance. • Physical Delivery Notes. • Noteholders may be required to pay certain expenses in relation to Notes subject to Physical Delivery. • There are certain requirements to be fulfilled and payments to be made by the holder in order to receive Notes subject to Physical Delivery and the Issuer may decide to settle by way of cash payment instead in certain circumstances. • Fund Linked Notes. • Certain considerations associated with Fund Linked Notes. • Other Events relating to Fund Linked Notes. • Risk of automatic early redemption (Equity Linked Notes only). • Equity Linked and Inflation Linked Notes. • Equity Linked and Inflation Linked Notes are not ordinary debt securities. • The value of Equity Linked and Inflation Linked Notes may be influenced by unpredictable factors. • Credit Risk. • Certain considerations regarding the use of Equity Linked or Inflation Linked Notes as hedging instruments. • Effect on Reference Item Linked Notes of hedging transactions by the Issuer. • Notes linked to a single emerging market security, a single emerging market index, or a basket of securities or a basket of indices composed, in part or in whole, of emerging market securities or indices. • Effect of the liquidity of the relevant underlying security or index on Equity Linked and Inflation Linked Note pricing. • Underlying companies. • Exchange rates and exchange controls may affect the value or return of the Reference Item Linked Notes. • Emerging market currencies. • Risks relating to Foreign Exchange (FX) Rate Linked Notes. • Notes which are issued at a substantial discount may experience price volatility in response to changes in market interest rates. • Investors have no shareholder rights. • Potential conflicts of interest between the investor and the Calculation Agent. • Actions taken by the Calculation Agent may affect the relevant underlying share or index. • Market Disruption Event, Disrupted Day, Adjustments and Early Redemption Notes. • General risks relating to Credit Linked Notes. • Risks relating to Action Settlement of Credit Linked Notes. • Amendment of Credit Linked Conditions in accordance with the terms of the Notes. • Failure to deliver an Asset Transfer Notice in respect of physically settled Credit Linked Notes. • Risks related to the Spanish withholding tax regime. • Risks relating to the Insolvency Law.
D.6	Risk warning:	[Investors may lose the entire value of their investment or part of it in the event of the insolvency of the Issuer [and the Guarantor] or if [it/the Issuer] is otherwise unable or unwilling to repay the Notes when repayment falls due [and the Guarantor is unable or unwilling to make payment under the Guarantee][or as a result of the performance of the relevant Reference Item(s)]]

Section E – Offer

Element	Title	
E.2b	Use of proceeds:	The net proceeds from each issue of Notes will be applied by the Issuer for the general corporate purposes of the Guarantor.
E.3	Terms and conditions of the offer:	If so specified in the Final Terms, the Notes may be offered to the public in a Non-exempt Offer in Poland and/or in Germany. The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the Final Terms. An Investor intending to acquire or acquiring any Notes in a Non-exempt Offer from an Authorised Offeror will do so, and

		offers and sales of such Notes to an Investor by such Authorised Offeror will be made in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements. [Issue specific summary: [Not Applicable – the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency.)] [This issue of Notes is being offered in a Non-exempt Offer in Poland.][This issue of Notes is being offered in a Non-exempt Offer in Germany].
E.4	Interest of natural and legal persons involved in the issue/offer:	The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business. <i>[Delete this paragraph when preparing an issue specific summary]</i> [Issue specific summary: The [Dealers/Managers] will be paid aggregate commissions equal to [●] per cent. of the nominal amount of the Notes. Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their respective affiliates in the ordinary course of business. Other than as mentioned above, [and save for [●].], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.
E.7	Expenses charged to the investor by the Issuer:	Not Applicable – No expenses will be charged to investors by the Issuer.

KEY FEATURES OF THE PROGRAMME

The following must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole, the Applicable Transaction Terms and the documents incorporated by reference.

Information relating to the Issuer

The Issuer:	Santander International Products plc
	Santander International Products plc was registered and incorporated on 25 June 2004 under the Irish Companies Acts 1963 to 2013, registration number 387937 for an indefinite period. The Registered Office of the Issuer is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2.
Business:	The principal objects of the Issuer are set forth in Clause 3 of its Memorandum of Association and are the issuance of <i>participaciones preferentes</i> (preferred securities) and other financial instruments.
Directors:	The Directors of the Issuer are as follows:

Name	Principal Occupation
Fermín Cifuentes Muntadas	Director
Alfredo Madrigal Matute	Director
Carmen del Pozo Sainz	Director
Francisco Javier Armada Bravo	Director
Antonio Torío Martín	Director

Information Relating to the Guarantor

The Bank and the Group	Banco Santander, S.A. is domiciled in Spain and has its registered office at Paseo de Pereda, 9-12, Santander. The principal operating headquarters of the Guarantor are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520. The Guarantor was incorporated in Spain and has the legal form of a public limited liability company (<i>sociedad anónima</i>) and is subject to the Spanish Corporations Law. Its activities are subject to special Spanish legislation governing credit institutions in general and to the supervision, control and regulation of the Bank of Spain in particular.
Business:	The Guarantor and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the United Kingdom and other European countries, Brazil and other Latin American countries and the US, offering a wide range of financial products. At 31 December 2015, the Group had a market capitalisation of €65.8 billion, shareholders' equity of €88.0 billion, total assets of €1,340.3 billion and an additional €1,050.0 billion in customer funders under management at this date.¹ As of 31 December 2015, the Group had 58,049 employees and 5,548 branch offices in Continental Europe, 25,866 employees and 858 branches in the United Kingdom, 89,819 employees and 5,841 branches in Latin America, 18,123 employees and 783 branches in the United States

¹ Including customer deposits, marketable debt securities, subordinated liabilities and other customer funds under management.

and 2,006 employees in Corporate Activities.

Grupo Santander is a financial group operating principally in Spain, the United Kingdom, other European countries, Brazil and other Latin American countries and the United States, offering a wide range of financial products.

Directors and Employees

The members of the Board of Directors of the Bank as of the date of this Base Prospectus are as follows:

Ana Botín-Sanz de Sautuola y O'Shea
José Antonio Álvarez Álvarez
Bruce Carnegie-Brown
Matías Rodríguez Inciarte
Guillermo de la Dehesa Romero
Rodrigo Echenique Gordillo
Ignacio Benjumea Cabeza de Vaca
Javier Botín-Sanz de Sautuola y O'Shea
Sol Daurella Comadrán
Carlos Fernández González
Esther Giménez-Salinas i Colomer
Ángel Jado Becerro de Bengoa
Belén Romana García
Isabel Tocino Biscarolasaga
Juan Miguel Villar Mir

The Executive Officers of the Bank as of the date of this Base Prospectus are as follows:

Ana Botín-Sanz de Sautuola y O'Shea
José Antonio Álvarez Álvarez
Bruce Carnegie-Brown
Matías Rodríguez Inciarte
Guillermo de la Dehesa Romero
Rodrigo Echenique Gordillo
Isabel Tocino Biscarolasaga
Ignacio Benjumea Cabeza de Vaca

Description of the Programme

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

Arranger and Dealer: Banco Santander, S.A.

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

Principal Paying Agent: The Bank of New York Mellon, acting through its London Branch

Registrar: The Bank of New York Mellon (Luxembourg) S.A.

Listing: The Base Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to The Irish Stock Exchange public limited company ("**Irish Stock Exchange**") for the Notes to be admitted to its Official List and trading on its Regulated

	Market, if so specified in the relevant Final Terms. Notes may be admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system or may be unlisted, as may be agreed between the Issuer and the relevant Dealer and as specified in the relevant Applicable Transaction Terms.
Size:	Up to EUR 10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
Currencies:	Subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, notes may be denominated in Euros or U.S. dollars or in any other currency or currencies. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities:	Any maturity, subject to compliance with all relevant laws, regulations, central bank requirements and directives. Any Notes issued with an original legal maturity of less than one year must comply with the Central Bank's notice by the Central Bank of Ireland of exemptions granted under section 8(2) of the Central Bank Act, 1971 as amended (BSD C01/02) and, <i>inter alia</i>, have a minimum Specified Denomination of Euro 125,000. In addition such Notes must bear the following legend: "An investment in the Notes does not have the status of a bank deposit and does not have the protection of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes." Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (FSMA) by the Issuer.
Denomination:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see "<i>Maturities</i>" above) and save that the minimum denomination of each Note will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Certain Conditions of the Notes:	See elements C.8 and B.18 of " <i>Summary of the Programme</i> " for a description of certain terms and conditions applicable to all Notes issued under the Programme.
Final Terms, Drawdown Prospectus or Pricing Supplement:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Applicable Transaction 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 (i) completed by the relevant Final Terms in the case of Notes admitted to trading on the Regulated Market of the Irish Stock Exchange, (ii) supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus or (iii) supplemented, amended or replaced by the relevant Pricing Supplement in the case of Exempt Notes.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Notes may be issued in Tranches on a continuous basis with no minimum issue size, subject to compliance with all applicable laws, regulations and directives. Further Notes may be issued as part of an existing Series.
Form of Notes:	Notes may be issued in registered form, without interest coupons ("Registered Notes"), or in bearer form, with or without interest coupons ("Bearer Notes"). In the case of Registered Notes, the Issuer will deliver (i) an Unrestricted U.S. or International Global Note Certificate (as defined below) and/or (ii) a Restricted U.S. or International Global Note Certificate (as defined below), as specified in the relevant Applicable Transaction Terms. Notes initially sold to qualified institutional buyers ("QIBs") in reliance on Rule 144A will, unless otherwise specified in the Applicable Transaction Terms, be available only in book-entry form, and will be represented by a restricted global note certificate (a "Restricted Global Note Certificate") registered in the name of a nominee for, and deposited with or on behalf of, (i) DTC, or (ii) a common depository or, as the case may be, a common safekeeper for Euroclear Bank S.A./N.V. ("Euroclear") or Clearstream Banking, S.A., ("Clearstream, Luxembourg") (and together with Euroclear, the "ICSDs"). Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S will, unless otherwise specified in the Applicable Transaction Terms, be available only in book-entry form and will be represented by an unrestricted global note certificate (an "Unrestricted Global Note Certificate"). Notes represented by an Unrestricted Global Note Certificate may be either (a) registered in the name of a nominee for DTC and deposited on or about the relevant issue date with the custodian for DTC, or (b) (in the case of a Certificate that is not to be held under the new safekeeping structure ("New Safekeeping Structure" or "NSS") registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depository, or (c) (in the case of a Certificate that is to be held under the New Safekeeping Structure) registered in the name of a common

safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common safekeeper, in each case for credit to the respective accounts of beneficial owners of the Notes represented thereby.

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

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

Except as described herein, Individual Note Certificates (as defined herein) will not be issued in exchange for beneficial interests in Registered Global Note Certificates. See *"Form of Notes – Registered Global Note Certificates"*.

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

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

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

Issue Price:

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

Fixed Interest Rate Notes:

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

Floating Rate Notes:

Floating Rate Notes will bear interest set separately for each Series by reference to EURIBOR or LIBOR (or, in the case of Exempt

	Notes, such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Applicable Transaction Terms.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Reference Item Linked Interest Notes:	The Applicable Transaction Terms issued in respect of each issue of reference item linked interest Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to equity, a constant maturity swap, an inflation index, an equity index, a fund, reference entity, a foreign exchange rate or a formula (or in the case of Exempt Notes such other underlying reference item as may be set out in the relevant Pricing Supplement).
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Applicable Transaction Terms.
Settlement of the Notes:	Notes may be cash settled or (if the Notes are reference item linked redemption Notes) physically settled, as provided in the relevant Applicable Transaction Terms.
Reference Item Linked Redemption Notes:	The Applicable Transaction Terms issued in respect of each issue of reference item linked redemption Notes will specify the basis for calculating the redemption amounts payable or entitlements deliverable, which may be (as applicable) by reference to equity, a constant maturity swap, an inflation index, an equity index, a fund, reference entity, a foreign exchange rate or a formula (or in the case of Exempt Notes such other underlying reference item as may be set out in the relevant Pricing Supplement).
Redemption by Instalments:	The Applicable Transaction Terms issued in respect of each issue of Notes which are redeemable in two or more instalments will set out the date on which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes and any other type of Note which the Issuer, and any Dealer or Dealers may agree to issue under the Programme will be set out in the Pricing Supplement or in a Drawdown Prospectus (as applicable).
Optional Redemption:	The Applicable Transaction Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.
Early Redemption:	Except as provided in " <i>Optional Redemption</i> " above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons.
Information requirements under Spanish Law:	Under Spanish Law 10/2014 and Royal Decree 1065/2007 as amended, the Issuer, and Guarantor are required to provide to the Spanish tax authorities certain information relating to the Notes.

If the Principal Paying Agent fails to provide the Issuer with the required information described under "*Taxation and Disclosure of Information in Connection with Payments*" – *Taxation in Spain*" in respect of the Notes, the Issuer may be required to withhold tax and may pay income in respect of such principal amount net of the Spanish withholding tax applicable to such payments (currently at the rate of 19%).

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

Governing Law:

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

Rule 144A:

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

Selling Restrictions:

United States, United Kingdom, Chile, Ireland, Spain, Switzerland, Poland, Hong Kong, Germany and the EEA. See "*Plan of Distribution*".

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

Risk Factors:

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

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

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

Representation of Noteholders:

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

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantor and the industry(ies) in which each of them operates together with all other information contained in this Base Prospectus, including, in particular, the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" (including "Annex 1 – Provisions relating to Equity Linked Notes", "Annex 2 – Provisions Relating to Inflation Linked Notes", "Annex 3 – Additional Terms and Conditions for Fund Linked Notes", "Annex 4 – Additional Terms and Conditions for Credit Linked Notes", "Annex 5 – Additional Terms and Conditions for Foreign Exchange (FX) Rate Linked Notes" and "Annex 6 – Additional Terms and Conditions for Payouts") below or elsewhere in this Base Prospectus have the same meanings in this section.

Notes may be issued under the Programme which are Fund Linked Notes, Index Linked Notes, CMS Linked Notes, Inflation Linked Notes, Equity Linked Notes, Credit Linked Notes, Foreign Exchange (FX) Rate Linked Notes, Reference Item Linked Notes or, if the Notes are Exempt Notes, commodity linked or other reference item linked notes. The relevant terms of any Reference Item Linked Notes that are not Exempt Notes will be specified in the applicable Final Terms or in a Drawdown Prospectus (as applicable). The relevant terms of any Reference Item Linked Notes that are Exempt Notes will be specified in the applicable Pricing Supplement. An investment in Reference Item Linked Notes may involve a number of risks, some of which are referred to below (see "Risk Factors Relating to Reference Item Linked Notes") and which are not associated with investment in a conventional debt security. The amount paid and/or the value of assets (if any) to be delivered by the Issuer or the Guarantor, as the case may be, on redemption of the Reference Item Linked Notes may be less than the principal amount of the Reference Item Linked Notes and may in certain circumstances be zero. Potential investors should ensure that they fully understand all of the risks prior to making any investment decision. Potential investors should seek independent financial advice prior to investing in Reference Item Linked Notes.

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

Risk Factors Relating to the Notes

There is no active trading market for the Notes

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

Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Issue Price may be greater than the market value of the Notes

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

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

The Notes may be redeemed by the Issuer prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Applicable Transaction Terms specify otherwise, in the event that the Issuer or, as the case may be, the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Ireland or Spain or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may in certain circumstances redeem all outstanding Notes in accordance with the Conditions.

If in the case of any particular Tranche of Notes the relevant Applicable Transaction Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In addition, in the case of an Equity Linked Note or Fund Linked Note, if "Automatic Early Redemption Event" is specified as being applicable in the Applicable Transaction Terms, on the occurrence of an Automatic Early Redemption Event the Notes will be automatically redeemed at their Automatic Early Redemption Amount. In the case of an Equity Linked Note or Inflation Linked Note, if an Additional Disruption Event occurs and "Delayed Redemption on the Occurrence of Additional Disruption Event" is not specified in the Applicable Transaction Terms, the Issuer may redeem the Notes early. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the equivalent Notes.

Investors may lose the original investment amount

The amount payable and/or the value of the assets (if any) deliverable to holders on redemption of the Reference Item Linked Notes may be less than the principal amount invested by them in the Reference Item Linked Notes and may in certain circumstances be zero.

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

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

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

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

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

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be inserted. In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed (or issued)) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

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

U.S. Foreign Account Tax Compliance Act withholding

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or "FATCA") will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligation under the Notes is discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as bearer or registered holder of the Notes), and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. Prospective investors should refer to the section "*Taxation and Disclosure of Information in Connection with Payments – Foreign Account Tax Compliance Act*".

The taking of any action under Law 11/2015 and its developing regulations could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity

The Bank Recovery and Resolution Directive (the "BRRD") and its implementation in Spain through Law 11/2015 and its developing regulations is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

In accordance with article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they

fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control.

As provided in the BRRD, Law 11/2015 and its developing regulations contain four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down and/or to convert certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including the Notes to equity (the "**general bail-in tool**"), which equity could also be subject to any future write-down.

The powers set out in the BRRD as implemented through Law 11/2015 will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool from 1 January 2016 and the exercise of any such powers may result in such Noteholders losing some or all of their investment. Furthermore, the determination that all or part of the principal amount of any Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the institution's control. This determination will be made by the institution's regulators and there may be many factors, including factors not directly related to the institution, which could result in such a determination.

The exercise of any power under Law 11/2015 or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of any Notes and/or the ability of the relevant Issuer and the Guarantor to satisfy their respective obligations under any Notes and the Guarantees.

Noteholders may not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under Law 11/2015

The Guarantor and, indirectly, the Issuer may be subject to a procedure of early intervention or resolution pursuant to the BRRD as implemented through Law 11/2015 if the Guarantor or its group of consolidated credit entities is in breach (or due, among other things, to a rapidly deteriorating financial condition, it is likely in the near future to be in breach) of applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls or the conditions for resolution referred to above are met (see "*The taking of any action under Law 11/2015 and its developing regulations could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity*").

Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Issuer or Guarantor to exercise any rights it may otherwise have in respect thereof and any provision providing for such rights shall further be deemed not to apply. However, this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such early intervention or resolution procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and Law 11/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*The taking of any action under Law 11/2015 and its developing regulations could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity*"). Any claims on the occurrence of an Event of Default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015. There can be no assurance that the taking of any such action would not

adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer and/or the Guarantor to satisfy its obligations under the Notes or the Guarantee and the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default may be limited in these circumstances.

Claims of holders under the Notes are effectively junior to those of certain other creditors

The Notes and any guarantee in respect of them (the "**Guarantee**") are unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively. Subject to statutory preferences, the Notes and the Guarantee will rank equally with any of the Issuer's and the Guarantor's other unsecured and unsubordinated indebtedness. However, the Notes and the Guarantee will be effectively subordinated to all of, respectively, the Issuer's and the Guarantor's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Spanish law. The Guarantee is also structurally subordinated to all indebtedness of subsidiaries of the Guarantor insofar as any right of the Guarantor to receive any assets of such companies upon their winding-up will be effectively subordinated to the claims of the creditors of those companies in the winding-up.

In addition, the BBRD and Law 11/2015 contemplate that Notes may be subject to the application of the general bail-in tool (see "*The taking of any action under Law 11/2015 and its developing regulations could materially affect the value of any Notes. The Notes may also be subject to loss absorption through their permanent write-down and/or conversion into equity*" above).

Risk Factors Relating to Reference Item Linked Notes

General considerations

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

In order to realise a return upon an investment in the Reference Item Linked Notes, an investor must have correctly anticipated the timing and magnitude of an anticipated increase or the absence of a decrease in the value of the Reference Item Linked Notes relative to the Issue Price and must also be correct about when any change will occur. If the value of the Reference Item Linked Notes does not increase, or decrease, as the case may be, before such Reference Item Linked Notes are redeemed, part of the investor's investment in such Reference Item Linked Notes may be lost on such redemption. Other than in respect of Reference Item Linked Notes which are redeemable prior to the Maturity Date at the option of the Noteholder, the only means by which a Noteholder can realise value from its Reference Item Linked Notes prior to their Maturity Date is to sell such Reference Item Linked Notes at their then market price in the secondary market (if available) (see "*Possible Illiquidity of the Secondary Market*" below).

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

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

Notes that are linked to a reference item and/or the obligations of a Reference Entity (as defined below) may be principal (or capital) protected or non-principal (or capital) protected at maturity. Investors in Notes which are

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

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

EU financial transaction tax

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's proposal**"), for a financial transaction tax ("**FTT**") to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate). If the Commission's proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which could include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating member states. Generally, it would apply where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating member state or (b) where the financial instrument which is subject to the financial transaction is issued in a participating member state.

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions if it is adopted based on the Commission's proposal. Examples of such transactions are the conclusion of a derivative contract in the context of the Issuer's hedging arrangements or the purchase or sale of securities. The Issuer is, in certain circumstances, able to pass on any such tax liabilities to holders of the Notes and therefore this may result in investors receiving less than expected in respect of the Notes. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt. There is however some uncertainty in relation to the intended scope of this exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between the participating member states. It may therefore be altered prior to implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. *Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.*

Fluctuations in the value of the relevant underlying will affect the value of Reference Item Linked Notes

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

Investors should note that, in exercising its duties in relation to Reference Item Linked Notes, the Calculation Agent may have considerable discretion in relation to certain matters which may affect amounts due and payable and/or assets deliverable under the Reference Item Linked Notes and/or their Maturity Date including (without limitation) the replacement of an underlying index, share or other asset, modification of amounts

otherwise payable and/or assets deliverable on redemption or determining the closing price and/or potential early redemption of the Reference Item Linked Notes.

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

Certain factors affecting the value and trading price of Reference Item Linked Notes

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

- (i) market interest rates;
- (ii) fluctuations in currency exchange rates;
- (iii) fluctuations in commodities prices;
- (iv) the liquidity of the Reference Item Linked Notes or any reference item(s) in the secondary market;
- (v) the time remaining to any redemption date or the maturity date;
- (vi) where the reference item(s) is/are credit linked, the creditworthiness of the specified reference entity or entities; and
- (vii) economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which the Reference Item Linked Notes may be traded.

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

Potential conflicts of interest

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

Hedging

In connection with the offering of the Reference Item Linked Notes, the Issuer, the Guarantor and/or any of its affiliates may enter into one or more hedging transactions with respect to any potential reference item(s) or related derivatives. In connection with such hedging activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer, the Guarantor and/or any of its affiliates may enter into transactions in the reference item(s) or related derivatives which may, but are not intended to, affect the

market price, liquidity or value of the Reference Item Linked Notes and which could be deemed to be adverse to the interest of the relevant Noteholders.

Risk relating to Implicit Yield Notes

The sale, transfer or acquisition of Implicit Yield Notes (as defined in Condition 8 of the "*Terms and Conditions of the Notes*"), including, but not limited to, Zero Coupon Notes, to or by individuals (*personas físicas*) who are tax resident in Spain (each a "**Spanish Individual**") is forbidden in all cases. Any transfer of Implicit Yield Notes to or by Spanish Individuals is not permitted and such transfer will be considered null and void by the Issuer and the Guarantor. Accordingly, neither the Issuer nor the Guarantor will recognise any Spanish Individual as an owner of Implicit Yield Notes and Spanish Individuals who are Noteholders may lose all or a substantial part of their investment on such Notes.

Possible illiquidity of the secondary market

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

There may be regulatory consequences for a holder of Reference Item Linked Notes

There may be regulatory and other consequences associated with the ownership by certain investors of certain Reference Item Linked Notes. Each purchaser of Notes must conduct its own investigation into its regulatory position with respect to the potential purchase of Notes, and none of the Issuer, the Guarantor, the Dealer or the Arranger assumes any obligation or liability whatsoever to such purchaser in such regard.

No rights of ownership in the Reference Item(s)

Purchasers of Notes should be aware that the Issuer is under no obligation to hold a position in any Reference Item(s) and should note that the relevant Reference Item(s) that may be held by the Issuer will not be held by the Issuer for the benefit of the purchasers of such Notes and, as such, Noteholders will not obtain any rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any Reference Item referenced by such Notes.

The past performance of a Reference Item is not indicative of future performance

Any information about the past performance of the Reference Item at the time of the issuance of the Notes should not be regarded as indicative of the range of, or trends in, fluctuations in the Reference Item that may occur in the future.

Physical Delivery Notes

In the case of Notes which are redeemable by delivery of assets (other than Credit Linked Notes), if a Settlement Disruption Event occurs or exists on the due date for redemption of the Notes, settlement will be postponed until the next Settlement Business Day in respect of which there is no Settlement Disruption Event. The Issuer in these circumstances also has the right to pay the Disruption Cash Redemption Amount in lieu of delivering the Entitlement (as defined in the Terms and Conditions).

If a Failure to Deliver due to Illiquidity occurs, the Issuer has the right, in lieu of delivery of the assets affected by such event, to pay the Failure to Deliver Redemption Amount to the Noteholders. The Disruption Cash Redemption Amount and/or the Failure to Deliver Redemption Amount may be less than the fair market value of the Entitlement.

Noteholders may be required to pay certain expenses in relation to Notes subject to Physical Delivery

Holders of Notes subject to Physical Delivery must pay all Expenses relating to delivery of such Notes. As defined in the terms and conditions, "Expenses" includes 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 Entitlement.

There are certain requirements to be fulfilled and payments to be made by the holder in order to receive Notes subject to Physical Delivery and the Issuer may decide to settle by way of cash payment instead in certain circumstances

In order to receive the Entitlement in respect of a Note settled by way of Physical Delivery, the holder of such Note must deliver or send to the relevant Clearing System or Principal Paying Agent (as applicable) a duly completed Asset Transfer Notice on or prior to the relevant time on the Cut-off Date and pay the relevant Expenses. If a Noteholder fails to deliver as required the certification of non-US beneficial ownership or certification that it is an eligible investor for US securities law purposes, the Issuer may deliver what the Calculation Agent determines to be the fair market value of the Entitlement instead of the relevant assets.

Fund Linked Notes

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

Certain considerations associated with Fund Linked Notes

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

No fund service provider will have participated in the preparation of the relevant Applicable Transaction Terms or in establishing the terms of the Fund Linked Notes, and none of the Issuer, the Guarantor or any Dealer will make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer of fund shares or units contained in such Applicable Transaction Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in any relevant Applicable Transaction Terms) that would affect the trading price of the fund shares or units will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of fund shares or units could affect the trading price of the fund shares or units and therefore the trading price of the Fund Linked Notes. Fund Linked Notes do not provide Holders with any participation rights in the underlying fund(s) and do not entitle holders of Fund Linked Notes to any ownership interest or rights in such fund(s). Except as may be otherwise provided in the Conditions and/or the relevant Applicable Transaction Terms, Holders will not have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant fund shares or units to which such Notes relate.

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

Funds may trade and invest in a broad range of investments and financial instruments using sophisticated investment techniques for hedging and non-hedging purposes such as debt and equity securities, commodities and foreign exchange and may enter into derivative transactions, including, without limitation, futures, swaps and options. Such financial instruments and investment techniques may also include, but are not limited to, the use of leverage, short sales of securities, transactions that involve the lending of securities to financial institutions, the entry into repurchase and reverse repurchase agreements for securities and the investment in foreign securities and foreign currencies. While these investment strategies and financial instruments provide

the investment manager and/or adviser of a fund the flexibility to implement a range of strategies in an attempt to generate positive returns for the fund, they also create the risk of significant losses that may adversely affect the value of the fund and therefore the return on the Fund Linked Notes. Potential investors should be aware that none of the Issuer, the Guarantor, the Dealers or the Calculation Agent have any control over investments made by a fund and therefore in no way guarantee the performance of a fund and therefore the amount payable and/or deliverable (if any) to Holders on cancellation or redemption, as applicable, of any Fund Linked Notes. Funds may often be illiquid and may only be traded on a monthly, quarterly or even less frequent basis. The trading strategies of funds are often opaque. Funds, as well as the markets and instruments in which they invest, are often not subject to review by governmental authorities, self-regulatory organisations or other supervisory authorities.

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

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

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

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

Other Events relating to Fund Linked Notes

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

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

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

In relation to ETFs, it should be noted that certain risks associated with exchange trading and Equity Linked Notes also apply.

Risk of automatic early redemption (Equity Linked Notes only)

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

Equity Linked and Inflation Linked Notes

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

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

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

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

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

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

- (a) they may lose all or a substantial portion of their principal or investment, depending on the performance of each relevant underlying security or index;
- (b) the market price of such Equity Linked or Inflation Linked Notes may be very volatile;
- (c) investors in Equity Linked or Inflation Linked Notes may receive no interest;
- (d) a relevant underlying security or index may be subject to significant fluctuations that may not correlate with changes in securities prices, indices or inflation indices;

- (e) any Dividend Index may carry additional specific risks not associated with a normal share index, in particular since such index will relate to dividend payments, if any, of relevant reference shares, instead of share prices;
- (f) if a relevant underlying security or index is applied to Equity Linked Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the relevant underlying security or index on principal or interest payable on such Inflation Linked Notes is likely to be magnified; and
- (g) the timing of changes in a relevant underlying security or index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant underlying security or index, the greater the effect on yield.

Equity Linked and Inflation Linked Notes are not ordinary debt securities

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

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

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

1. **Valuation of the relevant underlying security or index.** The market price or value of an Equity Linked Note or Inflation Linked Note at any time is expected to be affected primarily by changes in the price, level or value of the relevant underlying security or index to which the Equity Linked Notes or Inflation Linked Notes are linked. It is impossible to predict how the price, level or value of the relevant underlying security or index will vary over time. The historical performance value (if any) of the relevant underlying security or index does not indicate the future performance of the relevant underlying security or index. Factors which may have an effect on the price, level or value of the relevant underlying security or index include the rate of return of the relevant underlying security or index and, where relevant, the financial position and prospects of the issuer of the relevant underlying security or index, the market price, level or value of the applicable underlying security, index, or inflation index, or basket of securities, indices, or inflation indices. In addition, the price, level or value of the relevant underlying security or index may depend on a number of inter-related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that while the value of the Equity Linked or Inflation Linked Notes is linked to the relevant underlying security or index and will be influenced (positively or negatively) by the relevant underlying security or index, any change may not be comparable and may be disproportionate. It is possible that while the relevant underlying security or index is increasing in value, the value of the Equity Linked Notes or Inflation Linked Notes may fall. Further, the Terms and Conditions of the Equity Linked Notes or Inflation Linked Notes will allow the Calculation Agent to make adjustments or take any other appropriate action if circumstances occur where the Equity Linked or Inflation Linked Notes or any exchanges or price sources are affected by market disruption, adjustment events or circumstances affecting normal activities;
2. **Volatility.** The term **volatility** refers to the actual and anticipated frequency and magnitude of changes of the market price, level or value with respect to a relevant underlying security or index. Volatility is affected by a number of factors, such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a relevant underlying security or index will move up and down over time (sometimes more sharply than at other times) and different relevant underlying security or index will most likely have separate volatilities at any particular time;

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

Some or all of the above factors will influence the price that investors will receive if an investor sells its Equity Linked Notes or Inflation Linked Notes prior to maturity, which is usually referred to as "secondary market practice". For example, investors may have to sell certain Equity Linked Notes or Inflation Linked Notes at a substantial discount from the principal amount or investment amount if the market price, level or value of the applicable relevant underlying share or index is at, below, or not sufficiently above the initial market price, level or value or if market interest rates rise. The secondary market price of the Equity Linked Notes or Inflation Linked Notes may be lower than the market value of the issued Equity Linked Notes or Inflation Linked Notes as at the Issue Date to take into account, among other things, amounts paid to distributors and other intermediaries relating to the issue and sale of the Equity Linked Notes or Inflation Linked Notes and amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, any investor that sells the Equity Linked Notes or Inflation Linked Notes before the stated expiration or maturity date, may receive an amount in the secondary market which may be less than the then intrinsic market value of the Equity Linked Notes or Inflation Linked Notes and which may also be less than the amount and/or the value of the assets (if any) the investor would have received had the investor held the Equity Linked or Inflation Linked Notes through to maturity.

Credit risk

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

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

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

Effect on Reference Item Linked Notes of hedging transactions by the Issuer

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

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

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

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

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

Underlying companies

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

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

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

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

Exchange rates may affect the investor's investment. In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Equity Linked or Inflation Linked Notes. Depreciation against the investor's home currency or the currency of the return on an Equity Linked or Inflation Linked Note would result in a decrease in the effective yield of the Equity Linked or Inflation Linked Note below its coupon rate and could result in an overall loss to an investor on the basis of the investor's home currency.

Emerging market currencies

Where the Notes are denominated in an emerging market currency or linked to one or more emerging market currency, amounts determined to be due or deliverable in respect of such Notes may be significantly more volatile and subject to less certainty as to future rates than if the Notes were linked to currencies of more developed markets. For example, emerging markets' currencies are highly exposed to the risk of a currency crisis occurring in the future.

In particular, policies or actions of any relevant governments of the jurisdictions of the Subject Currencies and Base Currencies (the "**Currency Jurisdictions**") could adversely affect the relevant exchange rate(s) (such as through market interventions of their central banks or equivalent bodies; governmental action which changes or interferes with currency valuations or currency fluctuations that would otherwise occur in response to economic forces; and restrictions on foreign investment and currency convertibility or movement across borders). Non-governmental action may also directly or indirectly adversely affect the relevant exchange rates (such as through weak overall growth and performance of each applicable Currency Jurisdiction's economy and stock exchanges; political, economic and social uncertainty, including risks of nationalisation and expropriation of assets and natural disasters; or wars which affect any Currency Jurisdiction directly or indirectly).

Investors should note that the risk of occurrence and the severity of consequence of the matters described above may be greater with respect to any emerging market jurisdiction than they otherwise would be in relation to

more developed countries. Economies in emerging markets are generally more heavily dependent upon international trade, and accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated with countries with which they trade.

The occurrence of any of the above circumstances may have an adverse effect on the value of the Notes and amounts due or assets deliverable, or the date for payment thereunder.

Risks relating to Foreign Exchange (FX) Rate Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon movements in currency exchange rates or are payable in one or more currencies which may be different from the currency in which the Notes are denominated ("**Foreign Exchange (FX) Rate Notes**"). Accordingly an investment in Foreign Exchange (FX) Rate Notes may bear similar market risks to a direct foreign exchange investment and potential investors should take advice accordingly.

Potential investors in any such Notes should be aware that, depending on the terms of the Foreign Exchange (FX) Rate Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of assets may occur at a different time or in a different currency than expected and (iii) they may lose a substantial portion or all of their investment. In addition, movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices and the timing of changes in the exchange rates may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in currency exchange rates, the greater the effect on yield.

The foreign exchange rate(s) to which the Notes are linked will affect the nature and value of the investment return on the Notes. The performance of foreign exchange rates are dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. Where the Notes are linked to the currency of an emerging market jurisdiction, such risks may be magnified – see also risk factor "*Emerging market currencies*" above.

If the amount of principal and/or interest payable are dependent upon movements in currency exchange rates and are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the currency exchange rates on principal or interest payable will be magnified.

Payments of principal and interest or other obligations of the Issuer in respect of any Foreign Exchange (FX) Rate Notes may be restricted or varied upon the occurrence of certain disruption events applicable to the Notes. A relevant disruption event for an exchange rate may relate to the inability to obtain a price for the exchange rate from the applicable price source(s), illiquidity, the split of any relevant currency into a dual exchange rate, inconvertibility, non-transferability, a material change in circumstances in the jurisdiction of the Subject Currency that makes it impossible to fulfil certain hedging arrangements, a nationalisation or variations in the prices quoted for the exchange on different sources being greater than a specified percentage threshold (or not quoted for by members of a survey used to determine such source) if specified for that rate in the terms and conditions of the Notes and/or the Applicable Transaction Terms.

Following a relevant disruption event, the applicable valuation date may be postponed so long as the relevant disruption event continues, the Calculation Agent may determine the applicable exchange rate, the Notes may be redeemed early (or on the originally designated date) by payment of the applicable early redemption amount rather than any amount that would have otherwise been calculated in respect of and due on the relevant date, the related date for payment or delivery may be deferred so long as the relevant disruption event continues or a fallback reference price source or sources may be used to calculate the rate instead of the originally designated price source. Potential investors in any Foreign Exchange (FX) Rate Notes should ensure that they have read and understood the terms and conditions of such Notes to understand which disruption events apply (and the consequences thereof) and should ensure that they are willing to accept the related risks prior to investing in the Notes, which risks include an adverse effect on (i) the value of, and/or amounts or assets due in respect of, the

Notes due to the occurrence of any disruption event and application of the related disruption fallback(s); or (ii) an investor's investment schedule, timetable or plans if any due date for payment and/or delivery under the Notes is postponed as a consequence of a disruption event.

Notes which are issued at a substantial discount may experience price volatility in response to changes in market interest rates

The market value of Notes which are issued at a substantial discount (such as Zero Coupon Notes) or premium to 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 Notes, the greater price volatility as compared to conventional interest-bearing notes with comparable maturities.

Investors have no shareholder rights

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

Potential conflicts of interest between the investor and the Calculation Agent

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

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

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

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

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

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

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

General risks relating to Credit Linked Notes

The Issuer may issue Credit Linked Notes where the amount of principal and/or interest payable is dependent upon whether certain events (each a "**Credit Event**") have occurred in respect of one or more specified entities (a "**Reference Entity**") and, if so, on the value of certain specified assets ("**Reference Obligations**") of the

Reference Entity or where, if such events have occurred, on redemption the Issuer's obligation is to deliver certain specified assets ("**Deliverable Obligations**").

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

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

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

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

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

Upon the occurrence of a Credit Event, there is a risk of the loss of a substantial portion, or all, of the principal amount of the Notes. If a Credit Event Notice is served in connection with a Credit Event of a Reference Entity, the Notes may be subject to redemption at a price which may be at a considerable discount to par and could be zero. Prospective investors therefore risk losing all principal and interest on the Notes. Noteholders will have no right to vote or exercise any other right or remedy with respect to the Reference Entity(ies) or any of its obligations. In the event of early redemption following the occurrence of a Credit Event, the Notes will either (i) cease to bear interest from the Interest Payment Date immediately preceding the Credit Event Determination Date if "Accrual of Interest upon Credit Event" is specified as Not Applicable in the Applicable Transaction Terms, or (ii) cease to bear interest from the Credit Event Determination Date if "Accrual of Interest upon Credit Event" is specified as being Applicable in the Applicable Transaction Terms.

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

In the event of a Credit Event, Noteholders may receive Deliverable Obligations which may be in default. In this case, under the terms of the Applicable Transaction Terms, the Issuer will be free to deliver any obligations of the Reference Entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which satisfy the requirements for a Deliverable Obligation. Since the Deliverable Obligations will be issued, guaranteed or insured (as applicable in the context of the relevant Notes) by the Reference Entity affected by a Credit Event, the value of such Deliverable Obligations at the relevant time may be considerably less than would be the case if a Credit Event had not occurred and such obligations may be in default at the time

of delivery. Further, in selecting such obligations the Issuer will not be required to consider the interests of the Noteholders or mitigate the Noteholders' losses. The Issuer may have complete discretion to select the cheapest obligations of the Reference Entity so long as such obligations satisfy the requirements for a Deliverable Obligation.

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

Where the Notes provide for physical delivery or where Auction Settlement is the applicable Settlement Method and physical delivery is the applicable Fallback Settlement Method (each as specified in the Applicable Transaction Terms), the Issuer may determine that the Deliverable Obligations are either (a) assets which for any reason (including, without limitation, failure of the relevant clearance system or due to any law, regulation, court order, contractual restrictions, statutory restrictions or market conditions but excluding the non-receipt of any requisite consents with respect to the delivery of assets which are loans or non-delivery of an Asset Transfer Notice or any information by a Noteholder) it is impossible or illegal to deliver on the Credit Settlement Date ("**Undeliverable Obligations**"), or (b) assets which the Issuer and/or any affiliate and/or agent has not received under the terms of any underlying or related asset(s), transaction(s) and/or trading position(s) or arrangements entered into by the Issuer and/or such Affiliate and/or agent (including, if applicable, on a portfolio basis) to hedge, directly or indirectly and whether in whole or in part, the credit or other price risk or funding of the Issuer in issuing and performing its obligations in respect of the Notes ("**Hedge Disruption Obligations**"). In accordance with Credit Linked Condition 21 (*Physical Delivery*), any such determination may delay settlement in respect of the Notes and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount (in accordance with Credit Linked Condition 9 (*Partial Cash Settlement*)), which, in either case, may affect the value of the Notes and, in the case of payment of a cash amount, will affect the timing of the valuation of such Notes and, as a result, the amount of the relevant amount payable on redemption. Whether and how such provisions apply to the relevant Notes can be ascertained by reading the Credit Linked Conditions in conjunction with the Applicable Transaction Terms.

Upon the occurrence of a Credit Event, the Issuer may, at its option, redeem the relevant Credit Linked Notes in which case the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the Reference Obligation(s) and/or to deliver the Deliverable Obligation(s) and, upon the payment of such amounts or the delivery of such Deliverable Obligation(s), any claims or rights of the Noteholders relating to payment shall be extinguished. The Issuer's obligations in respect of Credit Linked Notes are not dependent on the existence of credit exposure of the Issuer to a Reference Entity and the Issuer need not itself suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

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

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

This Base Prospectus contains Additional Terms and Conditions for Credit Linked Notes with terms based on the 2014 Credit Derivatives Definitions (the "**2014 ISDA Definitions**"). The Issuer has determined that certain provisions of the 2014 ISDA Definitions, which are intended for use by market participants in "over the counter" transactions, require amendment when incorporated in the terms of an offering of securities such as the Notes. The terms and conditions of the Notes also afford the Calculation Agent and the Issuer (as applicable) discretion in respect of determining certain terms that differ in substance in comparison to corresponding terms contemplated in the 2014 ISDA Definitions, including, without limitation, the date on which a Credit Event Determination Date, the Credit Settlement Date or Valuation Date will fall (which may be determined, inter alia, by reference to the hedging arrangements), and the Settlement Suspension provisions or determination of the Quotation Amount. Therefore, a prospective investor should understand that the complete terms and conditions of the Notes are as set out in this Base Prospectus and the Applicable Transaction Terms and that the 2014 ISDA Definitions are not incorporated by reference herein. Consequently, investing in Credit Linked Notes is not necessarily equivalent to investing in a credit default swap that incorporates the 2014 ISDA Definitions.

While ISDA has published the 2014 ISDA Definitions in order to facilitate transactions and promote uniformity in the credit derivatives market, the credit derivatives market has evolved over time and is expected to continue to change. Consequently, the 2014 ISDA Definitions and the terms applied to credit derivatives, including the Notes are subject to further evolution. Past events have shown that the view of market participants may differ as to how the 2014 ISDA Definitions operate or should operate. As a result of the continued evolution of the market, the Notes may not conform to future market standards. Such a result may have a negative impact on the Notes. Furthermore, there can be no assurances that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer, the Guarantor or the Noteholders.

Pursuant to Credit Linked Condition 18, the Calculation Agent may from time to time amend any provision of the Credit Linked Conditions:

- (i) to incorporate and/or reflect further or alternative documents or protocols from time to time published by ISDA with respect to the documentation, trading or settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees; and/or
- (ii) in any manner which the Calculation Agent determines in a commercially reasonable manner is necessary or desirable to reflect or account for market practice for credit derivative transactions and/or reflect the Hedging Arrangements of the Issuer or any of its Affiliates.

Risks relating to Auction Settlement of Credit Linked Notes

(i) Auction Settlement

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

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

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

(iii) Role of the Credit Derivatives Determinations Committee

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

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

The Credit Derivatives Determinations Committees Rules (the "**CDDC Rules**") provide that any "Eligible Market Participant", is permitted to deliver a notice to ISDA requesting that the Credit Derivatives Determinations Committee resolves certain matters in respect of a relevant credit derivatives transaction, including those as set out in the definitions of "Credit Event Resolution Request Date", "Repudiation/Moratorium Extension Condition" and "Successor Resolution Request Date" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) below. An Eligible Market Participant is (i) any party that is a party to a credit derivatives transaction that has, or is deemed to have, incorporated the 2014 ISDA Definitions or the updated 2003 ISDA Credit Derivatives Definitions (being the 2003 ISDA Credit Derivatives Definitions as supplemented by the "2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions" or the "2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions", as applicable) into the relevant confirmation (which may include, where applicable, the Issuer, the Guarantor, the Calculation Agent or one of their affiliates) or (ii) any CCP (as defined in the CDDC Rules) that has an open interest in any such credit derivatives transaction. The delivery of any such notice and any subsequent resolution made by the Credit Derivatives Determinations Committee may affect the rights of Noteholders to receive payments of interests and principal under the relevant Notes, including a reduction in those payments and/or such payments being made on a date which is earlier or later than would otherwise be the case. Subject to regulatory obligations, none of the Issuer, the Guarantor or the Calculation Agent or any of its affiliates will take into account interests of Noteholders if acting as an Eligible Market Participant.

(v) *Credit Event and Successor Backstop Dates*

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

(vi) *Settlement Suspension, adjustments and Interest Provisions*

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

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

In the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated in accordance with Note Condition 5 (*Interest Provisions*) and the Credit Linked Conditions provided that:

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

Amendment of Credit Linked Conditions in accordance with the terms of the Notes

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

Failure to deliver an Asset Transfer Notice in respect of physically settled Credit Linked Notes

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

Taxation

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

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

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

Risks in Relation to Spanish Taxation

Risks related to the Spanish withholding tax regime

Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, income payments in respect of the Notes will be made without withholding tax in Spain. The Issuer is required pursuant to Spanish law to provide certain information regarding the Notes to the Spanish tax authorities. The Issuer, Guarantor and the Principal Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. The Issuer or the Guarantor (as the case may be) will withhold Spanish withholding tax from any payment in respect of any outstanding principal amount of the Notes (as applicable) as to which the required information has not been provided and will not gross up payments in respect of any such withholding tax. The Agency Agreement provides that the Principal Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented, to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof or to reflect a change in applicable clearing system rules or procedures or to add procedures for one or more new clearing systems. See "*Taxation and Disclosure of Information in Connection with Payments – Taxation in Spain*". None of the Issuer, the Guarantor, the Dealers or the Principal Paying Agent assume any responsibility therefore.

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

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 15 days), (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.

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

A. Risks in Relation to the Issuer and the Guarantor

1. Risks in relation to the Issuer

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

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

The Issuer was incorporated under the Irish Companies Acts 1963 to 2013 and is subject to the Irish Companies Act 2014 (the "**2014 Act**") and as such may be wound up pursuant to the 2014 Act and/or be subject to examination, a court procedure which is available under the 2014 Act to facilitate the survival of Irish companies in financial difficulties.

Certain Creditors of the Issuer will rank in priority above Noteholders

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

Risks in connection with examination

Examination is a court procedure available under the 2014 Act to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer, are each entitled to petition the court for the appointment of an examiner.

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

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish Circuit Court or High Court (as appropriate) (each a "**Court**") when at least one class of creditors has voted in favour of the proposals and the relevant Court is

satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

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

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

1. the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the Noteholders;
2. the potential for the examiner to seek to set aside any negative pledge in the Notes or the Transaction Documents prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
3. in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the relevant Court) will take priority over the amounts secured or unsecured owing to the Noteholders

2. Macroeconomic and political Risks

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

The Group's loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. At 31 December 2015, Continental Europe accounted for 36% of the Group's total loan portfolio (Spain accounted for 20% of its total loan portfolio), the United Kingdom (where the loan portfolio consists primarily of residential mortgages) accounted for 36%, Latin America accounted for 17% (of which Brazil represents 8% of the Group's total loan portfolio) and the United States accounted for 11%. Accordingly, the recoverability of these loan portfolios in particular, and the Group's ability to increase the amount of loans outstanding and the Group's results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. A return to recessionary conditions in the economies of Continental Europe (in particular, Spain), the United Kingdom, some of the Latin American countries in which the Group operates or the United States, or continued recessionary conditions in Brazil, would likely have a significant adverse impact on the Group's loan portfolio and, as a result, on the Group's financial condition, cash flows and results of operations. See section titled "*Banco Santander, S.A – Information about the Guarantor*".

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

In the past eight years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity and greater volatility (such as volatility in spreads). Global economic conditions deteriorated significantly between 2007 and 2009, and many of the countries in which the Group operates fell into recession. Although most countries have begun to recover, this recovery may not be sustainable. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced, and some continue to experience, significant difficulties. Around the world, there have also been runs on deposits at several financial institutions, numerous institutions have sought additional capital or have been assisted by governments, and many lenders and institutional investors have reduced or ceased providing funding to borrowers (including to other financial institutions).

In particular, the Group faces, among others, the following risks related to the economic downturn:

- Reduced demand for the Group's products and services.
- Increased regulation of the Group's industry. Compliance with such regulation will continue to increase the Group's costs and may affect the pricing for the Group's products and services and limit the Group's ability to pursue business opportunities.
- Inability of the Group's borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of the Group's retail customers and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan losses.
- The process the Group uses to estimate losses inherent in the Group's credit exposure requires complex judgements, including forecasts of economic conditions and how these economic conditions might impair the ability of the Group's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Group's loan loss allowances.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- Any worsening of global economic conditions may delay the recovery of the international financial industry and impact the Group's financial condition and results of operations.
- Despite recent improvements in certain segments of the global economy, uncertainty remains concerning the future economic environment. There can be no assurance that economic conditions in these segments will continue to improve or that the global economic condition as a whole will improve significantly. Such economic uncertainty could have a negative impact on the Group's business and results of operations. Investors remain cautious. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on the Group and on others in the financial services industry.
- Increased disruption and volatility in the global financial markets could have a material adverse effect on the Group, including the Group's ability to access capital and liquidity on financial terms acceptable to the Group, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding availability or costs or in deposit rates could have a material adverse effect on the Group's interest margins and liquidity.
- If all or some of the foregoing risks were to materialise, this could have a material adverse effect on the Group.

The Group may suffer adverse effects as a result of economic and sovereign debt tensions in the eurozone

The Group's results of operations are materially affected by conditions in the capital markets and the economy generally in the eurozone, which, although improving recently, continue to show signs of fragility and volatility. Interest rate differentials among eurozone countries are affecting government finance and borrowing rates in those economies.

The European Central Bank (the "ECB") and European Council have taken actions with the aim of reducing the risk of contagion in the eurozone and beyond. These included the creation of the Open Market Transaction facility of the ECB and the decision by eurozone governments to progress towards the creation of a banking union. In January 2015, the ECB announced an extensive quantitative easing scheme. The scheme comprises a €60 billion-a-month bond-buying programme across the eurozone, which was raised to €80 billion in March 2016, such programme to last until at least September 2016, with a potential for extension if inflation in the eurozone does not meet the ECB target of 2%. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone nations, which are under financial stress. Should any of those nations default on their debt, or experience a

significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in the further spread of the recent economic crisis.

The Group has direct and indirect exposure to financial and economic conditions throughout the eurozone economies. While concerns relating to sovereign defaults or a partial or complete break-up of the European Monetary Union, including potential accompanying redenomination risks and uncertainties, seemed to have abated, such concerns could resurface (as it was demonstrated in the earlier part of 2015 with the doubts regarding Greece's membership of the eurozone). A deterioration of the economic and financial environment could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect the Group's operating results, financial position and prospects.

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

Like many other banks, the Group invests in debt securities of governments in the geographies in which it operates. A failure by any such government to make timely payments under the terms of these securities, or a significant decrease in their market value, could have a material adverse effect on the Group.

The Group's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions

The economies of some of the countries where the Group operates, particularly in Latin America, have experienced significant volatility in recent decades. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. In addition, some of the countries where it operates are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility.

Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate environment, impact its profitability by causing lending margins to decrease and credit quality to decline and leading to decreased demand for higher margin products and services. For instance, Brazil's present high rate of inflation, compounded by high and increasing interest rates, declining consumer spending and increasing unemployment, have had and may continue to have a material adverse impact on the Brazilian economy as a whole as well as on its financial condition and earnings in Brazil, which represented 20% of profit attributable to the Parent's total operating areas in 2015 and 8% of its total loans as of 31 December 2015. In addition, the Group's business in Brazil will continue to be adversely affected by recessionary conditions and political instability in that country.

There is uncertainty over the long-term effects of the monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China. China's economy is entering a period of slower growth. Any continuing or worsening slowdown in China could further reduce domestic demand in China which in turn could have ripple effects on the global economy. Furthermore, financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets. Continued or increased perceived risks associated with investing in emerging economies in general, or the emerging market economies where the Group operates in particular, could further dampen capital flows to such economies and adversely affect such economies, and as a result, could have an adverse impact on the Group's business and results of operations.

Negative and fluctuating economic conditions in the countries in which it operates, such as those that certain Latin American and European countries have experienced recently, could also result in government defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in these regions or countries.

In addition, the Group's revenues are subject to risk of loss from unfavourable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalisation, international ownership legislation, interest rate caps and tax policies. In this sense, the result of the referendum held on 23 June 2016 on the UK's membership of the EU, with a majority supporting the UK's exit. Although it does not entail any immediate change to Santander UK's current operations nor for the presence of the Group in the UK, it is likely to generate increased volatility in the markets and general economic uncertainty. Until the

terms and timing of the UK's exit from the EU are confirmed, it is not possible to determine the full impact of the results of the referendum. In any case, the impact will depend on the development of negotiations between the EU and the UK, which are expected to take a number of years. Equally, future UK political developments could affect the fiscal, monetary and regulatory landscape in which the Group sits and therefore its availability and terms of financing. This market volatility, the political uncertainty and any future political developments in UK could adversely affect the Group's results, financial condition and prospects.

Furthermore, following the change of government in Poland, a new banking tax determined as 0.40% of total assets has been enacted and a discussion continues to take place regarding new legislation to regulate the conversion of foreign currency denominated loans into Polish Zlotych loans, which, depending on the legislation, could potentially have a significant negative impact on the Polish banking sector and result in additional capital requirements for those banks most exposed to Confoederatio Helvetica Franc ("CHF") denominated loans.

The Group's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions.

3. Risks Relating to the Group Business

Legal, Regulatory and Compliance Risks

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

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

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

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

As a financial institution, the Group is subject to extensive regulation, which materially affects its businesses. The statutes, regulations and policies to which the Group is subject may be changed at any time. In addition, the interpretation and the application by regulators of the laws and regulations to which the Group are subject may also change from time to time. Extensive legislation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect its business, including Spain, the United States, the European Union, Latin America and other jurisdictions, and regulations are in the process of being implemented. The manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which we operate, the Group may face higher compliance costs. Any legislative or regulatory actions and any required changes to the Group's business operations resulting from such legislation and regulations could result in significant loss of revenue, limit the Group's ability to pursue business opportunities in which the Group might otherwise consider engaging and providing certain products and services, affect the value of assets that it holds, require the Group to increase its prices and therefore reduce demand for the Group's products, impose additional compliance and other costs on the Group or otherwise

adversely affect the Group's businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

The regulations which most significantly affect the Bank, or which could most significantly affect the Bank in the future, relate to capital requirements, liquidity and funding, development of a fiscal and banking union in the European Union and regulatory reforms in the United States, and are discussed in further detail below. Other regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase its operating costs and negatively impact its business model. In addition, the volume, granularity, frequency and scale of regulatory and other reporting requirements necessitate a clear data strategy to enable consistent data aggregation, reporting and management. Inadequate management information systems or processes, including those relating to risk data aggregation and risk reporting, could lead to a failure to meet regulatory reporting requirements or other internal or external information demands, and the Group may face supervisory measures as a result.

Capital requirements, liquidity, funding and structural reform

Increasingly onerous capital requirements constitute one of the Bank's main regulatory challenges. Increasing capital requirements may adversely affect the Bank's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels. As a Spanish financial institution, the Bank is subject to the Capital Requirements Regulation ("**CRR**") and the Capital Requirements Directive ("**CRD IV**"), through which the European Union began implementing the Basel III capital reforms from 1 January 2014, with certain requirements in the process of being phased in until 1 January 2019. While the CRD IV requires national transposition, the CRR is directly applicable in all the EU member states. This regulation is complemented by several binding technical standards and guidelines issued by the European Banking Authority ("**EBA**"), directly applicable in all EU member states, without the need for national implementation measures. The implementation of the CRD IV Directive into Spanish law has largely taken place through Royal Decree Law 14/2013 of 29 November (**RD-L 14/2013**), Law 10/2014, Royal Decree 84/2015 of 13 February ("**RD 84/2015**") and Bank of Spain Circulars 2/2014 of 31 January and 2/2016 of 2 February.

Credit institutions, such as the Bank, are required, on a standalone and consolidated basis, to hold a minimum amount of regulatory capital of 8% of risk-weighted assets (of which at least 4.5% must be Common Equity Tier 1 ("**CET1**") capital and at least 6% must be Tier 1 capital). In addition to the minimum regulatory capital requirements, CRD IV also introduces capital buffer requirements that must be met with CET1 capital. CRD IV introduces five new capital buffers: (1) the capital conservation buffer for unexpected losses requiring additional CET1 of up to 2.5% of total weighted exposures; (2) the institution-specific counter-cyclical capital buffer, requiring additional CET1 of up to 2.5% of total weighted exposures; (3) the global systemically important institutions buffer of between 1% and 3.5% of CET1; (4) the other systemically important institutions buffer, which may be as much as 2% of CET1; and (5) the Common Equity Tier 1 systemic risk buffer. Beginning in 2016, and subject to the applicable phase-in period, entities will be required to comply with the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the global systemically important institutions buffer and the other systemically important financial institutions buffer, in each case as applicable to the institution). The Bank will be required to maintain a conservation buffer of 2.5% and a systemically important institutions buffer of 1%, in each case considered on a fully loaded basis. However, as of the date of this Report, due to the application of the phase-in period, the Bank is required to maintain a conservation buffer of 2.5% and a systemically important institutions buffer of 0.25%.

Article 104 of the CRD IV Directive, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank (the "**ECB**") concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**"), also contemplate that in addition to the minimum "Pillar 1" capital requirements (including, if applicable, any buffer capital as discussed above), supervisory authorities may impose further "Pillar 2" capital requirements to cover other risks, including those not considered to be fully captured by the minimum capital requirements under CRD IV or to address macro-prudential considerations. This may result in the imposition of additional capital requirements on the Bank and/or the Group pursuant to this "Pillar 2" framework. Any failure by the Bank and/or the Group to maintain its "Pillar 1" minimum regulatory capital ratios and any "Pillar 2" additional capital requirements could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Group's results of operations.

The ECB is required to carry out, at least on an annual basis, assessments under CRD IV of the additional "Pillar 2" capital requirements that may be imposed for each of the European banking institutions subject to the Single

Supervisory Mechanism (the "**SSM**"). Any additional capital requirement that may be imposed on the Bank and/or the Group by the ECB pursuant to these assessments may require the Bank and/or the Group to hold capital levels similar to, or higher than, those required under the full application of CRD IV. There can be no assurance that the Group will be able to continue to maintain such capital ratios.

In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of its supervisory review and evaluation process ("**SREP**"). Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional capital requirements to be implemented by 1 January 2016. Under these guidelines, national supervisors must set a composition requirement for the additional capital requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above "combined buffer requirement" is in addition to the minimum capital requirement and to the additional capital requirement. In this regard, under article 141 of the CRD IV Directive, Member States of the European Union must require that institutions that fail to meet the "combined buffer requirement" or the "Pillar 2" capital requirements described above, will be prohibited from paying any "discretionary payments" (which are defined broadly by the CRD IV Directive as payments relating to CET1, variable remuneration and payments on Additional Tier 1 capital instruments ("**AT1**")), until it calculates its applicable restrictions and communicates them to the Regulator and, once completed, such institution will be subject to restricted "discretionary payments". The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. Articles 43 to 49 of Law 10/2014 and Chapter II of Title II of Royal Decree 84/2015 implement the above provisions in Spain. In particular article 48 of Law 10/2014 and articles 73 and 74 of Royal Decree 84/2014 deal with restrictions on distributions. In connection with this, Banco Santander announced on 23 December 2015 that it had received from the ECB its decision regarding prudential minimum capital phase-in requirements for 2016, following the results of SREP. The ECB decision requires that the Group maintains a Common Equity Tier 1 capital ratio of 9.75% on a consolidated basis. This 9.75% capital requirement includes: the minimum "Pillar 1" requirement (4.5%); the "Pillar 2" requirement including the capital conservation buffer (5.0%); and the requirement from its consideration as a global systemic financial institution (0.25%). The ECB decision also requires that Banco Santander, S.A. maintains a CET1 capital ratio of 9.50% on an individual basis. This 9.50% capital requirement includes: the minimum "Pillar 1" requirement (4.5%), and the "Pillar 2" requirement including the capital conservation buffer (5.0%). These capital requirements do not imply any limitations referred to in CRR to distributions in the form of dividends, variable remuneration and coupon payments to holders of AT1 instruments.

In addition to the above, the CRR also includes a requirement for institutions to calculate a leverage ratio, report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their leverage ratio ("**LR**") in accordance with the methodology laid down in that article. In January 2014, the Basel Committee finalised a definition of how the LR should be prepared and set an indicative benchmark (namely 3% of Tier 1 capital). Such 3% Tier 1 LR will be tested during the monitoring period until 2017 when the Basel Committee will decide on the final calibration. Thus, the CRR does not contain a requirement for institutions to have a capital requirement based on the LR and the decision on whether such a requirement will be introduced has been left for a later date. In accordance with Article 511 of the CRR, the European Commission is required to submit, by the end of 2016, a report on the LR to the Council and the Parliament. The report will be based on an EBA report and will be accompanied, where appropriate, by a legislative proposal to introduce a binding LR or different LRs for different business models, applicable from 1 January 2018 onwards. At 31 December 2015, the Group's fully loaded LR was 4.73% and the phase-in LR was 5.38%.

Total Loss Absorption Capacity

On 9 November 2015, the Financial Stability Board (the "**FSB**") published its final principles and term sheet containing an international standard to enhance the loss absorbing capacity of global systemically important banks ("**G-SIBs**"), such as the Bank. The final standard consists of an elaboration of the principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet setting out a proposal for the implementation of these proposals in the form of an internationally agreed standard on total loss absorbing capacity ("**TLAC**") for G-SIBs.

Once implemented in the relevant jurisdictions, these principles and terms will form a new minimum TLAC standard for G-SIBs and in the case of G-SIBs with more than one resolution group, each resolution group within the G-SIB. If implemented as contemplated, the TLAC requirement is expected to create material additional quantitative requirements for the Bank and each of its resolution sub-groups, including new minimum risk-based and leverage TLAC ratios of (i) the Bank's and each of its resolution sub-groups' regulatory capital plus certain types of long-term unsecured debt instruments and other eligible liabilities that can be written down or converted into equity during resolution to (ii) the Bank's or the resolution sub-group's risk-weighted assets and the Basel III leverage ratio denominator.

The FSB term sheet reflects a minimum "Pillar 1" risk-based TLAC requirement of 16% of the Bank's and each of its resolution sub-groups' risk weighted assets as from 1 January 2019 and 18% as from 1 January 2022. Minimum TLAC under the term sheet must be also at least 6% of the Basel III leverage ratio denominator as from 1 January 2019, and at least 6.75% as from 1 January 2022.

While definitive TLAC requirements remain subject to significant uncertainty, based on its interpretation of the FSB's final principles and term sheet from November 2015 and assuming TLAC requirements at 18% (the fully phased-in requirement at 2022), a Basel III capital conservation buffer of 2.5% and a G-SIB surcharge of 1.0%, the estimated shortfall between its current capital levels and the requirements expected to be in force by 2019 would be such that, given historical annual debt issuance volumes by the Group, it believes the Group has flexibility to comply with expected TLAC requirements through recurring issuances of qualifying debt.

Furthermore, the European Bank Recovery and Resolution Directive ("**BRRD**") requires all European banks to maintain a minimum requirement for own funds and eligible liabilities ("**MREL**"). The purpose of MREL, which is calculated as a percentage of the total liabilities and own funds of an institution, is to ensure that institutions maintain enough capital capable of being written down and/or bailed-in, so as to facilitate resolution. Therefore, the objective of the MREL is broadly the same as TLAC.

The obligation to set an MREL for the Group and individual Group entities applied under the BRRD from 1 January 2016. The European Union Single Resolution Board ("**SRB**") intends to determine MREL for all major banking groups established in the Banking Union over the course of 2016 although during this year the SRB will focus on determining MREL at the consolidated level of each group only. The MREL determinations allow for a case-by-case analysis. In the case of G-SIBs and the other major banking groups for which it is the resolution authority, the SRB will make its decisions taking into account the main features of TLAC so that these entities would be subject to a single requirement for loss absorbing capacity.

TLAC requirements contain a common minimum requirement but allow resolution authorities to specify additional TLAC requirements on an individual institution basis. TLAC requirements may further be imposed in addition to the minimum "own funds" requirements under CRD IV. Any failure by an institution to meet the applicable minimum TLAC requirements is supposed to be treated in the same manner as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

The conditions required of TLAC eligible instruments (other than own funds) and those required of eligible liabilities for MREL purposes under the BRRD are different. Furthermore, the implementation of TLAC at the European level is currently being discussed. Only some jurisdictions have designed a framework for such eligible instruments (other than own funds instruments) but there is not yet a European solution that gives certainty in relation to the eligibility of instruments and enforcement action for breach of the requirement to hold MREL. There can be no assurance that the Bank and each of its European resolution sub-groups, will be able to issue sufficient TLAC and MREL eligible liabilities to meet their requirements. That may limit the quantity of the Bank's CET1 capital which is available to meet its "combined buffer requirement", and may, therefore, limit the Bank's ability to make "discretionary payments" in the form of dividends, variable remuneration and coupon payments to holders of AT1 instruments.

Additionally, the Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee.

Contributions for assisting in the future recovery and resolution of the banking sector

In 2015, Law 11/2015 and RD 1012/2015 established a requirement for Spanish credit institutions, including the Bank, to make at least an annual contribution to the National Resolution Fund (*Fondo de Resolución Nacional*) payable on request of the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (the "**FROB**") in addition to the annual contribution to be made to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*) by member institutions. The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal 1% of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund by 1 December 2015. The FROB may, in addition, collect extraordinary contributions.

Furthermore, Law 11/2015 has also established an additional charge (*tasa*) which shall be used to further fund the activities of the **FROB** as resolution authority, which charge shall equal 2.5% of the above annual contribution to be made to the National Resolution Fund.

In addition, the Bank may need to make contributions to the EU Single Resolution Fund, once the National Resolution Fund has been integrated into it, and will have to pay supervisory fees to the SSM.

Any levies, taxes or funding requirements imposed on the Bank in any of the jurisdictions where it operates could have a material adverse effect on the Issuer's business, financial condition and results of operations.

EU fiscal and banking union

The project of achieving a European banking union was launched in the summer of 2012. Its main goal is to resume progress towards the European single market for financial services by restoring confidence in the European banking sector and ensuring the proper functioning of monetary policy in the eurozone.

The Banking union is expected to be achieved through new harmonised banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two main pillars are the SSM and the Single Resolution Mechanism ("**SRM**").

The SSM (comprised by both the ECB and the national competent authorities) is designed to assist in making the banking sector safer, more transparent and unified. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular direct supervision of the 123 largest European banks (including the Bank), on 4 November 2014. In preparation for this step, between November 2013 and October 2014, the ECB conducted, together with national supervisors, a comprehensive assessment of 130 banks, which together hold more than 80% of eurozone banking assets. The exercise consisted of three elements: (i) a supervisory risk assessment, which assessed the main balance sheet risks including liquidity, funding and leverage; (ii) an asset quality review, which focused on credit and market risks; and (iii) a stress test to examine the need to strengthen capital or take other corrective measures.

The SSM represents a significant change in the approach to bank supervision at a European and global level. The SSM results in the direct supervision of 123 financial institutions (as of 30 September 2015), including the Bank, and indirect supervision of around 3,500 financial institutions and is now one of the largest in the world in terms of assets under supervision. In the coming years, the SSM is expected to work to establish a new supervisory culture importing best practices from the 19 national competent authorities that are part of the SSM. Several steps have already been taken in this regard such as the recent publication of the Supervisory Guidelines and the approval of the Regulation (EU) No 468/2014 of the ECB of 16 April 2014, establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation). In addition, this new body represents an extra cost for the financial institutions that fund it through payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost for the taxpayers and the real economy. Regulation (EU) No. 806/2014 of the European Parliament and the Council of the European Union (the "**SRM Regulation**"), which was passed on 15 July 2014, and became effective from 1 January 2015, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund ("**SRF**"). Under the intergovernmental agreement ("**IGA**") signed by 26 EU member states on 21 May 2014, contributions by banks raised at national level were transferred to the SRF. The new Single Resolution Board ("**SRB**"), which is the central decision-making body of the SRM, started operating on 1 January 2015 and it fully assumed its resolution powers on 1 January 2016.

The SRB is responsible for managing the SRF and its mission is to ensure that credit institutions and other entities under its remit, which face serious difficulties, are resolved effectively with minimal costs to taxpayers and the real economy. From that date onwards the Single Resolution Fund is also in place, funded by contributions from European banks in accordance with the methodology approved by the Council of the European Union. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8% bail-in of a bank's liabilities has been applied to cover capital shortfalls (in line with the BRRD).

By allowing for the consistent application of EU banking rules through the SSM and the SRM, the banking union is expected to help resume momentum towards economic and monetary union. In order to complete such union, a single deposit guarantee scheme is still needed which may require a change to the existing European treaties. This is the subject of continued negotiation by European leaders to ensure further progress is made in European fiscal, economic and political integration.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the Bank's main supervisory authority may have a material impact on the Bank's business, financial condition and results of operations. In particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes were published in the Official Journal of the EU on 12 June 2014. The BRRD was required to be implemented on or before 1 January 2015, although the bail-in tool has only applied since 1 January 2016. The BRRD was partially implemented in Spain in June through Law 11/2015 and Royal Decree 1012/2015.

In addition, on 29 January 2014, the European Commission released its proposal on the structural reforms of the European banking sector that will impose new constraints on the structure of European banks. The proposal aims at ensuring the harmonisation between the divergent national initiatives in Europe. It includes a prohibition on proprietary trading similar to that contained in Section 619 of the Dodd-Frank Act (also known as the Volcker Rule) and a mechanism to potentially require the separation of trading activities (including market making), such as in the Financial Services (Banking Reform) Act 2013, complex securitisations and risky derivatives.

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

Other regulatory reforms adopted or proposed in the wake of the financial crisis

On 16 August 2012, the EU Regulation on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories, referred to as ("**EMIR**"), entered into force. While a number of the compliance requirements introduced by EMIR already apply, the European Securities and Markets Authority is still in the process of finalising some of the implementing rules mandated by EMIR. EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, exchange of initial and variation margin, and various reporting and disclosure obligations. Although some of the particular effects brought about by EMIR are not yet fully foreseeable, many of its elements have led and may lead to changes which may negatively impact its profit margins, require us to adjust its business practices or increase its costs (including compliance costs). The Markets in Financial Instruments legislation (which comprises a regulation ("**MiFIR**") and a directive ("**MiFID**")), introduces a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardised. Additionally, it includes other requirements such as enhancing the investor protection's regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity instruments. MiFID was initially intended to enter into effect on 3 January 2017. Notwithstanding this, in order to ensure legal certainty and avoid potential market disruption, the European Commission has proposed delaying the effective date of MiFID 12 months, until 3 January 2018.

The proposed financial transactions tax

Separately, on 28 September 2011, the European Commission tabled a proposal for a European Council Directive on a common system of financial transaction tax ("**FTT**") and amending Directive 2008/7/EC. The objective of the proposal was to ensure a fair contribution of the financial sector to the costs of the financial crisis, avoid fragmentation of the single market and create appropriate disincentives for transactions that do not enhance the efficiency of financial markets. At the European Council meetings of 22 June and 10 July 2012 and at the European Council meeting on 28 and 29 June 2012, it was ascertained that essential differences in opinion

remained as regards the need to establish a common system of FTT at EU level and that the proposal would have not received unanimous support within the Council in the foreseeable future. On the basis of the request of 11 Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**Participating Member States**")), and in accordance with the authorisation of the European Council of 22 January 2013, which was adopted following the European Parliament's consent given on 12 December 2012, the European Commission on 14 March 2013 submitted a proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax (the "**Commission Proposal**"). The Commission Proposal, essentially, mirrored the scope and objectives of the original FTT proposal put forward by the European Commission in 2011. Though further progress during 2015 was expected, work will have to continue in 2016 on a number of other open questions that constitute the "building blocks" of the design of the future FTT. This work will have to cover all remaining aspects of the Commission Proposal on FTT, and in particular whether the final compromise should include specific provisions or exemptions to address concerns relating to the potential impact of the future FTT on the real economy and retirement schemes (pension plans, funds, and other products serving a similar objective). The Economic Council on Financial Affairs meeting held on 8 December 2015 was intended to be a make or break meeting for the prospects of an enhanced cooperation FTT. A statement following the meeting released by the ten remaining Participating Member states (Estonia has now dropped out) represents progress of sorts but significant differences still remain. A further deadline of June 2016 has been set to reach consensus, though there is still real uncertainty over the prospects of the EU FTT. Depending on the final details, the proposed financial transaction tax could have a materially negative effect on the Bank's profits and business. Different forms of national financial transaction taxes have already been implemented in a number of European jurisdictions, including France and Italy, and these taxes may result in compliance costs as well as market consequences which may affect the Bank's revenues.

Royal Decree Law 8/2014, of 4 July, introduced a 0.03% tax on bank deposits in Spain. This tax is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Bank operates.

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

Depending on the final details, the proposed financial transaction tax could have a materially negative effect on the Bank's profits and business. Different forms of national financial transaction taxes have already been implemented in a number of European jurisdictions, including France and Italy, and these taxes may result in compliance costs as well as market consequences which may affect the Bank's revenues.

United States significant regulation

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

With respect to OTC derivatives, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, trading through electronic platforms and transaction reporting of certain OTC derivatives. Entities that are swap dealers, security-based swap dealers, major swap participants or major security-based swap participants are required to register with the Commodity Futures Trading Commission ("**CFTC**") or the Securities Exchange Commission ("**SEC**"), or both, and are or will be subject to new capital, margin, business conduct, recordkeeping, clearing, execution, reporting and other requirements. Banco Santander, S.A. and Abbey National Treasury Services plc became provisionally registered as a swap dealer with the CFTC on 8 July 2013 and 4 November 2013, respectively. In addition, the Group may register one more subsidiary as a swap dealer with the CFTC. Although many significant regulations applicable to swap dealers are already in effect, some of the most important rules, such as margin requirements for uncleared swaps and capital rules for swap dealers, are not yet effective and the Group continue to assess how compliance with these new rules will affect its business.

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

In addition, in September 2014 the Board of Governors of the Federal Reserve System (the "**Federal Reserve Board**") and other U.S. regulators issued a final rule introducing a quantitative liquidity coverage ratio requirement on certain large banks and bank holding companies. The liquidity coverage ratio is part of the Basel Committee's international standards on quantitative liquidity metrics, which are in turn part of the international Basel III framework. The U.S. implementation of the liquidity coverage ratio is broadly consistent with the Basel Committee's liquidity standards, but is more stringent in several important respects. Although this final rule does not apply to foreign banking organisations ("**FBOs**"), the Federal Reserve Board has stated that it intends, through future rulemakings, to apply the liquidity coverage ratio and another Basel III liquidity metric to the U.S. operations of some or all large FBOs.

On 18 February 2014, the Federal Reserve Board issued a final rule to enhance its supervision and regulation of certain FBOs. Among other things, this rule requires FBOs with over \$50 billion of U.S. non-branch assets to establish or designate a U.S. intermediate holding company (an "**IHC**") and to transfer its entire ownership interest in substantially all of its U.S. subsidiaries to such IHC by 1 July 2016. U.S. branches and agencies are not required to be transferred to the IHC. The IHC will be subject to an enhanced supervision framework, including enhanced risk-based and leverage capital requirements, liquidity requirements, risk management and governance requirements, and stress testing requirements. A phased-in approach is being used for the standards and requirements. Certain enhanced standards were effective in 2015, with other standards and requirements becoming effective between 1 July 2016 and 1 January, 2018. Pursuant to the final rule, as an FBO with over \$50 billion of U.S. non-branch assets as of 30 June 2014, we submitted an IHC implementation plan to the Federal Reserve Board by 1 January 2015. As of the date of this Base Prospectus, we are continuing to refine this plan. Implementation and compliance with this plan have caused and will continue to cause the Group to invest significant management attention and resources.

The Volcker Rule, a statutory provision of the Dodd-Frank Act, prohibits "banking entities" from engaging in certain forms of proprietary trading or from sponsoring, investing in, or entering into certain credit-related transactions with related, covered funds, in each case subject to certain exceptions. The term "covered fund" is defined very broadly to include traditional hedge funds, private equity funds, certain securitisation vehicles and other entities that rely on Sections 3(c)(1) or 3(c)(7) of the U.S. Investment Company Act of 1940 for an exemption under that Act, as well as certain similar foreign funds. The Volcker Rule became effective in July 2012, and, in December 2013, U.S. regulators issued final rules implementing the Volcker Rule. The statute and final rules also contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, and trading solely outside the United States, and also permit certain ownership interests in certain types of funds to be retained. Banking entities such as the Bank must bring their activities and investments into compliance with the requirements of the Volcker Rule by the end of the conformance period applicable to each requirement. In general, all banking entities were required to conform to the requirements of the Volcker Rule, except for provisions related to certain funds, and to implement a compliance programme by 21 July 2015. In December 2014, the Federal Reserve Board issued an order extending the Volcker Rule's general conformance period until 21 July 2016 for investments in and relationships with covered funds and certain foreign funds that were in place on or prior to 31 December 2013 ("**legacy covered funds**"), and stated its intention to grant a final one-year extension of the general conformance period, to 21 July 2017, for banking entities to conform ownership interests in and relationships with legacy covered funds. This extension of the conformance period does not apply to the Volcker Rule's prohibitions on proprietary trading and does not appear to apply to any investments in and relationships with covered funds put in place after 31 December 2013. The Group has assessed how the final rules implementing the Volcker Rule affect its businesses and has adopted the necessary measures to bring its activities into compliance with the rules.

Furthermore, Title I of the Dodd-Frank Act and the implementing regulations issued by the Federal Reserve Board and the Federal Deposit Insurance Corporation ("**FDIC**") require each bank holding company with assets of \$50 billion or more, including us, to prepare and submit annually to the Federal Reserve Board and the FDIC a plan for the orderly resolution of its subsidiaries and operations that are domiciled in the United States in the event of future material financial distress or failure. In addition, each insured depository institution ("**IDI**") with assets of \$50 billion or more, such as Santander Bank, N.A., its U.S. national bank subsidiary, must submit a

separate IDI resolution plan annually to the FDIC. The Title I and IDI plans each must include information on resolution strategy, major counterparties and interdependencies, among other things, and require substantial effort, time and cost to prepare. The Group submitted its most recent annual U.S. resolution plans in December 2015. The Title I plan resolution plan is subject to review by the Federal Reserve Board and the FDIC. The IDI plan is subject to review solely by the FDIC.

On 30 October 2015, the Federal Reserve Board proposed a rule that would establish certain TLAC and long-term debt requirements in the United States generally consistent with the FSB's international TLAC standard. The proposed U.S. TLAC rule would require, among other things, the U.S. IHCs of non-U.S. G-SIBs, including the Group's future U.S. IHC, to maintain a minimum amount of internal TLAC and would separately require them to maintain a minimum amount of internal long-term debt. The terms "internal TLAC" and "internal long-term debt" refer to instruments that would be required to be issued internally within the banking group, from the IHC to a foreign parent entity. The proposed minimum amounts of internal TLAC and internal long-term debt vary depending on the home country resolution authority's preferred resolution strategy. Under the proposed rule, the Group's U.S. IHC, if it is treated as a resolution entity IHC under the proposed rule, would be required to maintain, on a fully phased-in basis by 2022, internal TLAC of at least 18% of risk-weighted assets (plus an internal TLAC buffer of an additional 2.5%), at least 6.75% of the Basel III leverage ratio denominator and at least 9% of average total consolidated assets, as well as internal long-term debt of at least 7% of risk-weighted assets, at least 3% of the Basel III leverage ratio denominator and at least 4% of average total consolidated assets. Internal long-term debt instruments would be subject to certain eligibility criteria, including issuance to a foreign parent entity (a non-U.S. entity that controls the IHC) and the inclusion of a contractual trigger allowing for, in limited circumstances, the cancellation of, or immediate conversion or exchange of the instrument into, common equity Tier 1 capital upon an order by the Federal Reserve Board. As proposed, the internal TLAC requirements may be satisfied with a combination of eligible long-term debt instruments and Tier 1 capital, whereas the internal long-term debt requirements would be required to be satisfied only with eligible long-term debt instruments. The proposed rule would also require internal TLAC to be contractually subordinated to ineligible debt instruments and prohibit the U.S. IHC from issuing any external short-term debt, issuing parent guarantees with certain impermissible cross defaults, entering into any qualified financial contract with a third party, benefitting from upstream guarantees or issuing any instruments with certain setoff rights.

Each of these aspects of the Dodd-Frank Act, as well as other changes in U.S. banking regulations, may directly and indirectly impact various aspects of its business. The full spectrum of risks that the Dodd-Frank Act poses to the Group is not yet known; however, such risks could be material and we could be materially and adversely affected by them.

United States stress testing, capital planning, and related supervisory actions

Certain of its U.S. subsidiaries, including Santander Holdings USA, its U.S. bank holding company subsidiary, are subject to stress testing and capital planning requirements under regulations implementing the Dodd-Frank Act or other banking laws or policies. In March 2014 and March 2015, the Federal Reserve Board, as part of its Comprehensive Capital Analysis and Review ("**CCAR**") process, objected on qualitative grounds to the capital plans submitted by Santander Holdings USA. In its 2015 public report on CCAR, the Federal Reserve Board cited widespread and critical deficiencies in Santander Holdings USA's capital planning processes, including specific deficiencies in governance, internal controls, risk identification and risk management, management information systems, and supporting assumptions and analysis. As a result of the 2014 and 2015 CCAR objections, Santander Holdings USA is not permitted to make any capital distributions without the Federal Reserve Board's approval, other than the continued payment of dividends on Santander Holdings USA's outstanding class of preferred stock, until a new capital plan is approved by the Federal Reserve Board. Santander Holdings USA's new capital plan was submitted in April 2016, and in June 2016 the Federal Reserve Board objected again on a qualitative basis.

In addition, Santander Holdings USA is subject to supervisory actions in the United States related to the CCAR stress testing and capital planning processes. Specifically, on 15 September 2014, Santander Holdings USA and the Federal Reserve Bank of Boston ("**FRB Boston**") executed a written agreement relating to a subsidiary's declaration and payment of dividends in the second quarter of 2014 without the Federal Reserve Board's approval. Under the written agreement, Santander Holdings USA agreed to submit to the FRB Boston written procedures to strengthen board oversight of management regarding planned capital distributions by Santander Holdings USA and its subsidiaries. In addition, Santander Holdings USA agreed to subject future distributions to the prior written approval of Federal Reserve System and to take necessary actions to ensure that no such distributions are made.

Other supervisory actions and restrictions on U.S. activities

In addition to the foregoing, U.S. bank regulatory agencies from time to time take supervisory actions under certain circumstances that restrict or limit a financial institution's activities. In some instances, the Group is subject to significant legal restrictions on its ability to publicly disclose these actions or the full details of these actions. Furthermore, as part of the regular examination process, its U.S. banking subsidiaries' regulators may advise its U.S. banking subsidiaries to operate under various restrictions as a prudential matter. The U.S. supervisory environment has become significantly more demanding and restrictive since the financial crisis of 2008. Under the U.S. Bank Holding Company Act, the Federal Reserve Board has the authority to disallow us and its U.S. banking subsidiaries from engaging in certain categories of new activities in the United States or acquiring shares or control of other companies in the United States. Such actions and restrictions currently applicable to us or its U.S. banking subsidiaries could adversely affect its costs and revenues. Moreover, efforts to comply with non-public supervisory actions or restrictions could require material investments in additional resources and systems, as well as a significant commitment of managerial time and attention. As a result, such supervisory actions or restrictions could have a material adverse effect on its business and results of operations; and the Group may be subject to significant legal restrictions on its ability to publicly disclose these matters or the full details of these actions. In addition to such confidential actions and restrictions, in July 2015, Santander Holdings USA became subject to a public enforcement action with the FRB Boston under which Santander Holdings USA entered into a written agreement to make enhancements with respect to, among other matters, board oversight of the consolidated organisation, risk management, capital planning and liquidity risk management.

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

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

Some of the Group's qualitative tools and metrics for managing risk are based upon its use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage our risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. The Group could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed. In addition, if existing or potential customers or counterparties believe the Group's risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with the Group. This could have a material adverse effect on its reputation, operating results, financial condition and prospects.

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

In addition, the Group has refined its credit policies and guidelines to address potential risks associated with particular industries or types of customers. However, the Group may not be able to timely detect all possible risks before they occur, or due to limited tools available to the Group, its employees may not be able to effectively implement them, which may increase the Group's credit risk. Failure to effectively implement, consistently follow or continuously refine the Group's credit risk management system may result in an increase

in the level of non-performing loans and a higher risk exposure for the Group, which could have a material adverse effect on the Group.

The Group is subject to potential intervention by any of its regulators or supervisors, particularly in response to customer complaints

As noted above, the Group's business and operations are subject to increasingly significant rules and regulations that are required to conduct banking and financial services business. These apply to business operations, affect financial returns, include reserve and reporting requirements, and prudential and conduct of business regulations. These requirements are set by the relevant central banks and regulatory authorities that authorise, regulate and supervise the Group in the jurisdictions in which it operates.

In their supervisory roles, the regulators seek to maintain the safety and soundness of financial institutions with the aim of strengthening the protection of customers and the financial system. The supervisors' continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy. In general, these regulators have a more outcome-focused regulatory approach that involves more proactive enforcement and more punitive penalties for infringement. As a result, the Group faces increased supervisory scrutiny (resulting in increasing internal compliance costs and supervision fees), and, in the event of a breach of its regulatory obligations, the Group is likely to face more stringent regulatory fines. Some of the regulators are focusing intently on consumer protection and on conduct risk and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. Some of the laws in the relevant jurisdictions in which the Group operates, give the regulators the power to make temporary product intervention rules either to improve a firm's systems and controls in relation to product design, product management and implementation, or to address problems identified with financial products. These problems may potentially cause significant detriment to consumers because of certain product features or governance flaws or distribution strategies. Such rules may prevent institutions from entering into product agreements with customers until such problems have been solved. Some of the regulatory regimes in the relevant jurisdictions in which the Group operates, require it to be in compliance across all aspects of its business, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Group fails to comply with the relevant regulations, there would be a risk of an adverse impact on its business from sanctions, fines or other actions imposed by the regulatory authorities. Customers of financial services institutions, including its customers, may seek redress if they consider that they have suffered loss as a result of the mis-selling of a particular product, or through incorrect application of the terms and conditions of a particular product. Given the inherent unpredictability of litigation and the evolution of judgments by the relevant authorities, it is possible that an adverse outcome in some matters could harm its reputation or have a material adverse effect on its operating results, financial condition and prospects arising from any penalties imposed or compensation awarded, together with the costs of defending such an action, thereby reducing the Group's profitability.

The Group is subject to review by taxing authorities, and an incorrect interpretation by the Group of tax laws and regulations may have a material adverse effect on the Group

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

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

The Group is required to comply with applicable anti-money laundering ("AML"), anti-terrorism, sanctions and other laws and regulations in the jurisdictions in which the Group operates. These laws and regulations require the Group, among other things, to conduct full customer due diligence regarding sanctions and politically-exposed person screening, keep its customer, account and transaction information up to date and have

implemented effective financial crime policies and procedures detailing what is required from those responsible. The Group's requirements also include AML training for the Group's employees, reporting suspicious transactions and activity to appropriate law enforcement following full investigation by the Group's local AML team.

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML sanctions, laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel.

The Group has developed policies and procedures aimed at detecting and preventing the use of the Group's banking network for money laundering and other financial crime related activities. These require implementation and embedding within its business effective controls and monitoring, which in turn requires ongoing changes to systems and operational activities. Financial crime is continually evolving and subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptable responses from us so that the Group is able to deter threats and criminality effectively. Even known threats can never be fully eliminated, and there will be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Group relies heavily on the Group's employees to assist us by spotting such activities and reporting them, and the Group's employees have varying degrees of experience in recognising criminal tactics and understanding the level of sophistication of criminal organisations. Where the Group outsources any of the Group's customer due diligence, customer screening or anti financial crime operations, it remains responsible and accountable for full compliance and any breaches. If it is unable to apply the necessary scrutiny and oversight, there remains a risk of regulatory breach.

If the Group is unable to fully comply with applicable laws, regulations and expectations, its regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties on it, including requiring a complete review of the Group's business systems, day-to-day supervision by external consultants and ultimately the revocation of the Group's banking licence.

The reputational damage to the Group's business and global brand would be severe if it were found to have breached AML or sanctions requirements. The Group's reputation could also suffer if the Group is unable to protect its customers or its business from being used by criminals for illegal or improper purposes.

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

Any such risks could have a material adverse effect on the Group's operating results, financial condition and prospects.

Changes in taxes and other assessments may adversely affect the Group

The legislatures and tax authorities in the tax jurisdictions in which the Group operates regularly enact reforms to the tax and other assessment regimes to which the Group and its customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon the Group's business.

Financial Reporting and Control Risks

Changes in accounting standards could impact reported earnings

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of its consolidated financial statements. These changes can

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

A key example of this is the new International Financial Reporting Standards ("IFRS") 9 accounting standards titled *Financial Instruments: Classification and Measurement, Hedge Accounting and Impairment* ("IFRS 9"). It will be introduced, and is expected to be effective, for annual periods beginning on or after 1 January 2018 although IFRS 9 does remain subject to endorsement by the EU. IFRS 9 will involve an important conceptual change for the Group. The financial asset classification and measurement model will change, with the business model now being the focal point. The approach of the hedge accounting model will be to rely more on economic risk management and require fewer rules, with the impairment model evolving too from an incurred loss approach to an expected loss approach.

Additionally, the Bank of Spain has approved the update of the new accounting circular for credit entities. This modifies Annex IX of Circular 4/2004 with regard to the classification of operations and estimation of provisions under the incurred loss model and is likely to come into effect on 1 October 2016.

The Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of the Group's operations and financial position

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

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

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

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

These disclosure controls and procedures have inherent limitations which include the possibility that judgements in decision-making can be faulty and that breakdowns occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by any unauthorised override of the controls. Consequently, the Group's businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions the Group takes to prevent and detect this activity may not always be effective. Accordingly, because of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.

Liquidity and Financing Risks

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

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-

reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Group implements liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors, in particular, make it difficult to eliminate these risks completely. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding its business, and extreme liquidity constraints may affect its current operations and its ability to fulfil regulatory liquidity requirements, as well as limit growth possibilities.

Disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it.

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

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

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

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

Central banks have taken extraordinary measures to increase liquidity in the financial markets as a response to the financial crisis. If current facilities were rapidly removed or significantly reduced, this could have an adverse effect on its ability to access liquidity and on the Group's funding costs.

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

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

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

Any downgrade in its debt credit ratings would likely increase its borrowing costs and require the Group to post additional collateral or take other actions under some of the Group's derivative contracts, and could limit its

access to capital markets and adversely affect its commercial business. For example, a ratings downgrade could adversely affect its ability to sell or market certain of its products, engage in certain longer-term and derivatives transactions and retain its customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of its derivative contracts, the Group may be required to maintain a minimum credit rating or terminate such contracts. Any of these results of a ratings downgrade, in turn, could reduce its liquidity and have an adverse effect on the Group, including its operating results and financial condition.

Banco Santander, S.A.'s long-term debt is currently rated investment grade by the major rating agencies – A3 stable outlook by Moody's Investors Service España, S.A., A- stable outlook by Standard & Poor's Ratings Services and A- stable outlook by Fitch Ratings Ltd. In June 2015, Moody's upgraded Banco Santander, S.A.'s rating from Baa1 to A3 in light of their new banking methodology, and in October 2015, Standard & Poor's upgraded Banco Santander, S.A.'s rating from BBB+ to A- following the upgrade of the sovereign credit rating of Spain.

Santander UK's long-term debt is currently rated investment grade by the major rating agencies: A1 with a stable outlook by Moody's Investors Service, Aa with stable outlook by Standard & Poor's Ratings Services and A with a positive outlook by Fitch Ratings.

Banco Santander (Brazil)'s long-term debt in foreign currency is currently rated BB with a negative outlook by Standard & Poor's Ratings Services, BBB- with a negative outlook by Fitch Ratings Ltd. and Ba3 with a negative outlook by Moody's Investors Service. During the course of 2015 and the first quarter of 2016 the three major agencies lowered the rating as a result of the lowering of Brazil's sovereign credit rating.

The Group conducts substantially all of its material derivative activities through Banco Santander, S.A. and Santander UK. The Group estimates that as of 31 December 2015, if all the rating agencies were to downgrade Banco Santander, S.A.'s long-term senior debt ratings by one notch, the Group would be required to post up to €200 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two notch downgrade would result in a requirement to post up to €6 million in additional collateral. The Group estimates that as of 31 December 2015, if all the rating agencies were to downgrade Santander UK's long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in contractual outflows from Santander UK's total liquid assets of £4.6 billion of cash and additional collateral that Santander UK would be required to post under the terms of secured funding and derivatives contracts. A hypothetical two notch downgrade would result in an additional contractual outflow of £0.3 billion of cash and collateral under secured funding and derivatives contracts.

While certain potential impacts of these downgrades are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviours of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including which credit rating agency downgrades its credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from money market funds) or loss of secured funding capacity. Although, unsecured and secured funding stresses are included in the Group's stress testing scenarios and a portion of the Group's total liquid assets is held against these risks, it is still the case that a credit rating downgrade could have a material adverse effect on Banco Santander, S.A., and/or its subsidiaries.

In addition, if the Group were required to cancel its derivatives contracts with certain counterparties and were unable to replace such contracts, the Group's market risk profile could be altered.

There can be no assurance that the rating agencies will maintain the current ratings or outlooks. Failure to maintain favourable ratings and outlooks could increase the Group's cost of funding and adversely affect interest margins, which could have a material adverse effect on it.

Credit Risks

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

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

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

Mortgage loans are one of the Group's principal assets, comprising 49% of the Group's loan portfolio as of 31 December 2015. The Group is exposed to developments in housing markets, especially in Spain and the United Kingdom, and to a number of large real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a vacation destination and historically low interest rates in the eurozone. The United Kingdom also experienced an increase in housing and mortgage demand driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial center. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. Since 2008, as economic growth stalled in Spain and the United Kingdom, persistent housing oversupply, decreased housing demand, rising unemployment, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance and the continued effect of global market volatility have caused home prices to decline, while mortgage delinquencies and forbearances have increased.

As a result of these and other factors, the Group's non-performing and contingent liabilities ("NPL") ratio, being the NPL as a percentage of total loans and contingent liabilities, calculated as non-performing loans and contingent liabilities divided by gross loans and contingent liabilities, increased from 0.94% at 31 December 2007, to 2.02% at 31 December 2008, to 3.24% at 31 December 2009, to 3.54% at 31 December 2010, to 3.90% at 31 December 2011, to 4.54% at 31 December 2012 and to 5.64% at 31 December 2013. Although the trend changed during the last two years as its NPL ratio decreased to 5.19% at 31 December 2014 and to 4.36% at 31 December 2015, the Group can provide no assurance that its NPL ratio will not increase again as a result of the aforementioned and other factors. High unemployment rates coupled with declining real estate prices, could have a material adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

The Group is subject to counterparty risk in its banking business

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

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even 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. Many of the routine transactions the Group enters into expose it to significant credit risk in the event of default by one of its significant counterparties.

Market Risks

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

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

- net interest income;
- the volume of loans originated;
- volatility of credit spreads;
- the market value of the Group's securities holdings;

- gains from sales of loans and securities; and
- gains and losses from derivatives.

Interest rates are sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors. Variations in interest rates could affect the Group's net interest income, which comprises the majority of the Group's revenue, reducing the Group's growth rate and potentially resulting in losses. This results from the varying effect that a change in interest rates may have on the interest earned on its assets and the interest paid on its borrowings. In addition, the Group may incur costs (which, in turn, will impact its results) as it implements strategies to reduce future interest rate exposure.

Increases in interest rates may reduce the volume of loans the Group originates. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of the Group's customers to prepay or refinance fixed-rate loans. Increases in interest rates may reduce the value of the Group's financial assets and may reduce gains or require us to record losses on sales of the Group's loans or securities.

In addition, the Group may experience increased delinquencies in a low interest rate environment when such an environment is accompanied by high unemployment and recessionary conditions.

The Group is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect its earnings and value of the Group's assets and securities. The continued depreciation of the Latin American currencies against the U.S. dollar could make its Latin American subsidiaries' foreign currency linked obligations and funding more expensive and have similar consequences for the Group's borrowers in Latin America.

The Group is also exposed to equity price risk in its investments in equity securities in the banking book and in the trading portfolio. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of its investments in equity securities and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against its results. To the extent any of these risks materialise, its net interest income or the market value of its assets and liabilities could be materially adversely affected.

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

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

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

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

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

Market practices and documentation for derivative transactions in the countries where the Group operates differ from each other. In addition, the execution and performance of these transactions depend on its ability to maintain adequate control and administration systems and to hire and retain qualified personnel. Moreover, the Group's ability to adequately monitor, analyse and report derivative transactions continues to depend, to a great extent, on the Group's information technology systems. This factor further increases the risks associated with these transactions and could have a material adverse effect on it.

General Business and Industry Risks

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

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

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

The Group provides retirement benefits for many of the Group's former and current employees through a number of defined benefit pension plans. The Group calculates the amount of its defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets or others. The accounting and disclosures are based on IFRS and on those other requirements defined by the local supervisors. Given the nature of these obligations, changes in the assumptions that support valuations, including market conditions, can result in actuarial losses which would in turn impact the financial condition of its pension funds. Because pension obligations are generally long-term obligations, fluctuations in interest rates have a material impact on the projected costs of the Group's defined benefit obligations and therefore on the amount of pension expense that the Group accrues.

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

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

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

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

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

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

Non-traditional providers of banking services, such as Internet based e-commerce providers, mobile telephone companies and internet search engines may offer and/or increase their offerings of financial products and services directly to customers. These non-traditional providers of banking services currently have an advantage over traditional providers because they are not subject to banking regulations. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If the Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, its business may be adversely affected. In addition, the Group's failure to effectively anticipate or adapt to emerging technologies or changes in customer behaviour, including among younger customers, could delay or prevent the Group's access to new digital-based markets which would in turn have an adverse effect on its competitive position and business.

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

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

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

The success of its operations and its profitability depends, in part, on the success of new products and services the Group offers its clients and its ability to continue offering products and services from third parties. However, the Group cannot guarantee that the new products and services will be responsive to client demands or successful once they are offered to its clients, or that they will be successful in the future. In addition, the Group's clients' needs or desires may change over time, and such changes may render its products and services obsolete, outdated or unattractive, and the Group may not be able to develop new products that meet its clients' changing needs. The Group's success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Technological changes may further intensify and complicate the competitive landscape and influence client behaviour. If its products and services employ technology that is not as attractive to its clients as that employed by its competitors, if the Group fails to employ technologies desired by the Group's clients before its competitors do so, or if it fails to execute effectively on targeted strategic technology initiatives, its business and results could be adversely affected. In addition, if the Group cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially and adversely affect the Group.

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

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

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

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

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

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

In addition, any acquisition or venture could result in the loss of key employees and inconsistencies in standards, controls, procedures and policies.

Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond the Group's control. Any of these factors, individually or collectively, could have a material adverse effect on the Group.

Goodwill impairments may be required in relation to acquired businesses

The Group has made business acquisitions in recent years and may make further acquisitions in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written down if the Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect of goodwill is performed annually, more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not, however, affect the Group's regulatory capital. While no material impairment of goodwill was recognised at Group level in 2013, 2014 or 2015, there can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect its results and net assets.

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

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

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

The Group relies on third parties for important products and services

Third party vendors provide key components of the Group's business infrastructure such as loan and deposit servicing systems, internet connections and network access. Third parties can be sources of operational risk to the Group, including with respect to security breaches affecting such parties. The Group is also subject to risk with respect to security breaches affecting the vendors and other parties that interact with the Group's third party vendors. As its interconnectivity with these third parties increases, it increasingly faces the risk of operational failure with respect to their systems. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing the Group's operational costs and potentially decreasing customer satisfaction. In addition, any problems caused by these third parties, including as a result of their not providing the Group their services for any reason, their performing their services poorly, or employee misconduct, could adversely affect the Group's ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

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

Maintaining a positive reputation is critical to the Group's attracting and maintaining customers, investors and employees. Damage to the Group's reputation can therefore cause significant harm to its business and prospects. Harm to the Group's reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory outcomes, failure to deliver minimum standards of service and quality, compliance failures, unethical behaviour, and the activities of customers and counterparties. Further, negative publicity regarding the Group, whether or not true, may result in harm to its prospects.

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

The Group could suffer significant reputational harm if it fails to identify and manage potential conflicts of interest properly. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with the Group, or give rise to litigation or enforcement actions against it. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group.

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

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

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

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

Technology Risks

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

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

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

Like other financial institutions with a large customer base, the Group manages and holds confidential personal information of customers in the conduct of its banking operations, as well as a large number of assets. Accordingly, the Group's business depends on the ability to process a large number of transactions efficiently and accurately, and on the Group's ability to rely on the Group's digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in the Group's computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to its businesses and to the Group's ability to compete effectively. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. Although the Group works with its clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent information security risk, the Group routinely exchanges personal, confidential and proprietary information by electronic means, and it may be the target of attempted cyber-attacks. If the Group cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

The Group takes protective measures and continuously monitors and develops its systems to protect its technology infrastructure and data from misappropriation or corruption, but its systems, software and networks nevertheless may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. There can be no assurance that the Group will not suffer material losses from operational risk in the future, including those relating to any security breaches.

The Group has seen in recent years computer systems of companies and organisations being targeted, not only by cyber criminals, but also by activists and rogue states. The Group has been and continues to be subject to a range of cyber-attacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of the Group's information technology systems used to service the Group's customers. As attempted attacks continue to evolve in scope and sophistication, the Group may incur significant costs in its attempt to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or

in communicating cyber-attacks to its customers. If the Group fails to effectively manage its cyber security risk, e.g. by failing to update its systems and processes in response to new threats, this could harm its reputation and adversely affect its operating results, financial condition and prospects through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets. In addition, it may also be subject to cyber-attacks against critical infrastructures of the countries where it operates. The Group's information technology systems are dependent on such national critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect the Group's ability to service the Group's customers. As the Group does not operate such national critical infrastructure, the Group has limited ability to protect its information technology systems from the adverse effects of such a cyber-attack.

The Group manages and holds confidential personal information of customers in the conduct of its banking operations. Although the Group has procedures and controls to safeguard personal information in the Group's possession, unauthorised disclosures could subject it to legal actions and administrative sanctions as well as damages that could materially and adversely affect the Group's operating results, financial condition and prospects. Further, the Group's business is exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter or prevent employee misconduct, and the precautions the Group takes to detect and prevent this activity may not always be effective. In addition, the Group may be required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorised access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of its systems could cause information, including data related to customer requests, to be lost or to be delivered to the Group's clients with delays or errors, which could reduce demand for the Group's services and products and could materially and adversely affect the Group.

Failure to protect personal information could adversely affect the Group

The Group manages and holds confidential personal information of customers in the conduct of its banking operations. Although the Group has procedures and controls to safeguard personal information in its possession, unauthorised disclosures could subject the Group to legal actions and administrative sanctions as well as damages that could materially and adversely affect its operating results, financial condition and prospects. In addition, the Group may be required to report events related to information security issues (including any cybersecurity issues), events where customer information may be compromised, unauthorised access and other security breaches, to the relevant regulatory authorities.

ISSUE OF NOTES

Notes will be issued on a continuous basis in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in Applicable Transaction Terms to this Base Prospectus (the form of which is set out in "*Pro Forma Final Terms*" or "*Pro Forma Pricing Supplement*" below) or, as the case may be, in a Drawdown Prospectus (as applicable).

DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) the English language translations of the audited consolidated financial statements of the Guarantor for the years ended 31 December 2015 and 31 December 2014, together with the auditor's reports thereon prepared in accordance with IFRS as adopted by the European Union;
- (2) the complete unaudited consolidated interim financial statements and interim directors' report for the Guarantor for the three-month period ended 31 March 2016;
- (3) Form 20-F of the Guarantor prepared under IFRS-IASB for the years ended 31 December 2015 (the "**Guarantor's 2015 Form 20-F**") and 31 December 2014;
- (4) the audited financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2014 together with the auditor's report thereon;
- (5) the terms and conditions of the Notes set out on pages 17 to 20 of the Supplement dated 21 October 2015 to the Base Prospectus dated 29 July 2015 (the "**21 October 2015 Supplement**"), the terms and conditions of the Notes set out on pages 4 to 7 of the Supplement dated 22 December 2015 to the Base Prospectus dated 29 July 2015 (the "**22 December 2015 Supplement**"), the terms and conditions of the Notes set out on pages 113 to 299 of the Base Prospectus dated 29 July 2015 (the "**July 2015 Conditions**"), the terms and conditions of the Notes set out on pages 5 and 6 of the Supplement dated 16 March 2015 to the offering circular dated 29 July 2014 (the "**2015 Supplement**"), the terms and conditions of the Notes set out on pages 55 to 257 of the offering circular dated 29 July 2014 (the "**2014 Conditions**"), the terms and conditions of the Notes set out on pages 7 to 9 of the supplement dated 31 March 2014 to the offering circular dated 29 July 2013 (the "**2014 Supplement**"), the terms and conditions of the Notes set out on pages 50 to 140 of the supplement dated 23 December 2013 to the listing particulars dated 29 July 2013 (the "**2013 Supplement**"), the terms and conditions set out on pages 47 to 163 of the base prospectus dated 29 July 2013 (the "**July 2013 Conditions**"), the terms and conditions set out on pages 34 to 151 of the base prospectus dated 25 March 2013 (the "**March 2013 Conditions**"), the terms and conditions of the Notes set out on pages 45 to 81 of the base prospectus dated 24 February 2012 (the "**2012 Conditions**"), on pages 41 to 76 of the base prospectus dated 24 February 2011 (the "**2011 Conditions**"), on pages 39 to 73 of the base prospectus dated 18 February 2010 (the "**2010 Conditions**"), on pages 36 to 70 of the base prospectus dated 11 February 2009 (the "**2009 Conditions**"), on pages 33 to 67 of the base prospectus dated 26 June 2008 (the "**2008 Conditions**"), on pages 27 to 62 of the base prospectus dated 14 September 2007 (the "**2007 Conditions**") and on pages 25 to 60 of the base prospectus dated 14 September 2006 (the "**2006 Conditions**"), relating to the Programme; and
- (6) the Base Prospectus dated 29 July 2015.

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 (which are set out below) of the Issuer, of the Guarantor, of the Principal Paying Agent and of the Transparency Directive agent and, in particular, the Issuer's financial information will be available for viewing on the website of the Irish Stock Exchange at <http://www.ise.ie/Debt-Securities/Individual-Debt-Securities-Data/>. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

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

<http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadname1=content-type&blobheadname2=Content-Disposition&blobheadname3=appID&blobheadvalue1=application%2Fpdf&blobheadvalue2=inline%3Bfilename%3D495%5C915%5CInforme+de+Auditoria+ENG+ACCE.pdf&blobheadvalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278719001396&ssbinary=true>

and

[http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadname1=content-type&blobheadname2=Content-](http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadname1=content-type&blobheadname2=Content-Disposition&blobheadname3=appID&blobheadvalue1=application%2Fpdf&blobheadvalue2=inline%3Bfilename%3D495%5C915%5CInforme+de+Auditoria+ENG+ACCE.pdf&blobheadvalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278719001396&ssbinary=true)

[Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D480%5C78%5CInf.+Audit+y+cunetas+2014+ENG+ACCE_.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278707206247&ssbinary=true](http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D480%5C78%5CInf.+Audit+y+cunetas+2014+ENG+ACCE_.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278707206247&ssbinary=true)

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

<http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D827%5C112%5CFolleto1T16ingles.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278721425076&ssbinary=true>

Documents (3) above are available at:

<http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D863%5C410%5C135658A.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278721205246&ssbinary=true>

and

http://www.santander.com/csgs/BlobServer?blobcol=urldata&blobheadername1=contenttype&blobheadername2=Content-Disposition&blobheadername3=MDTType&blobheadervalue1=application/pdf&leng=en_GB&blobheadervalue2=inline%3B+filename%3D529\416\ejercicio2014gb.pdf&blobheadervalue3=abinary%3B+charset%3DUTF-8&blobkey=id&blobnocache=true&blobtable=MungoBlobs&blobwhere=1278707709650

Documents (4) above are available at:

<http://www.ise.ie/app/announcementDetails.aspx?ID=12798615>

and

http://www.rns-pdf.londonstockexchange.com/rns/8694L_-2015-4-30.pdf

Documents (5) above are available at the following:

- i. 21 October 2015 Supplement:
http://ise.ie/debt_documents/Supplements_1b55356b-2019-45c2-bd3d-e2da3081ca31.pdf
- ii. 22 December 2015 Supplement:
http://ise.ie/debt_documents/Supplements_089d68fb-fbff-4a8e-bfc2-e06d8751affb.pdf
- iii. July 2015 Conditions:
http://ise.ie/debt_documents/Base%20Prospectus_255fee15-ae4f-4ea9-88ce-138103bf5f4f.pdf
- iv. 2015 Supplement:
http://www.ise.ie/debt_documents/Supplements_a88cec99-be60-423d-ab5d-5264f12387e4.PDF?v=1252015
- v. 2014 Supplement:
http://www.ise.ie/debt_documents/Supplements_6968f374-3143-40eb-8800-6c5c02054b8e.PDF
- vi. 2013 Supplement:
http://www.ise.ie/debt_documents/Supplements_49d0e371-0e62-40c5-b8dc-b709529c5e93.PDF
- vii. July 2014 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_5c44f473-6452-4657-9aa2-0a7b94fe6495.pdf?v=2762015
- viii. July 2013 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_d69f6e29-dc9b-44f3-ab94-172bda3c9d3f.pdf

- ix. March 2013 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_80bb5846-b9fe-4d48-9b6b-baa69a2f9098.pdf
- x. 2012 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_6b964f4d-e065-4217-9a81-f4f5c21e4d4b.pdf
- xi. 2011 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_cba2bd86-e81b-4e8e-b31a-dc5ae0f61e91.pdf
- xii. 2010 Conditions:
http://www.ise.ie/debt_documents/Banesto%20Financial%20Products%20EMTN%2042187Base_Prospectus_15946.pdf
- xiii. 2009 Conditions:
http://www.ise.ie/debt_documents/BANESTO_7802.pdf
- xiv. 2008 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_497.pdf
- xv. 2007 Conditions:
http://www.ise.ie/debt_documents/EUR%2010,000,000,000%20Euro%20Medium%20Term%20Note%20Programme_9787.pdf
- xvi. 2006 Conditions:
[http://www.ise.ie/debt_documents/Banesto%20\(BP\)_8410.pdf](http://www.ise.ie/debt_documents/Banesto%20(BP)_8410.pdf)

Document (6) above are available at the following:

http://ise.ie/debt_documents/Base%20Prospectus_255fee15-ae4f-4ea9-88ce-138103bf5f4f.pdf

APPLICABLE TRANSACTION 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 the Guarantor and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer and the Guarantor have endeavoured to include in this 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 which are not Exempt 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 are not Exempt Notes and are the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and 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 completed by the relevant Final Terms.

For a Tranche of Notes which are Exempt Notes, any information which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to such Tranche of Notes will be contained in the relevant Pricing Supplement. Such Pricing Supplement will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which are Exempt Notes and are subject to a Pricing Supplement are the Conditions, as supplemented, amended or replaced by the relevant Pricing Supplement.

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 Applicable Transaction Terms (or Final Terms or Pricing Supplement, as the case may be) shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

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

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will include the additional terms and conditions contained in Annex 1 in the case of Equity Linked Notes, Annex 2 in the case of Inflation Linked Notes, Annex 3 in the case of Fund Linked Notes, Annex 4 in the case of Credit Linked Notes, Annex 5 in the case of Foreign Exchange (FX) Rate Linked Notes and Annex 6 in relation to Payouts, and which, subject to completion by the relevant Final Terms (in the case of Notes other than Exempt Notes (as defined below)) or the relevant Pricing Supplement (in the case of Exempt Notes), will be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series and, subject further to simplification by deletion of non-applicable provisions, will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes, details of the relevant Series being shown on the relevant Notes or Certificates and in the relevant Final Terms or Pricing Supplement as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes which may be issued under the Programme.

The Notes are issued pursuant to an amended and restated agency agreement dated 8 July 2016 (the "**Agency Agreement**") between Santander International Products plc as issuer (the "**Issuer**"), Banco Santander, S.A. (the "**Guarantor**"), The Bank of New York Mellon, acting through its London Branch as principal paying agent (the "**Principal Paying Agent**"), paying agent (together with the Principal Paying Agent and any additional or other paying agents in respect of the Notes from time to time appointed, the "**Paying Agents**"), transfer agent (together with any additional or other transfer agents in respect of the Notes from time to time appointed, the "**Transfer Agents**"), calculation agent and transparency directive agent, The Bank of New York Mellon as the U.S. paying and transfer agent, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**"), and with the benefit of a deed of covenant dated 8 July 2016 (the "**Deed of Covenant**") executed by the Issuer in relation to the Notes. The Guarantor has, for the benefit of the Noteholders from time to time, executed and delivered a deed of guarantee dated 8 July 2016 (the "**Deed of Guarantee**") under which it has guaranteed the due and punctual payment and/or delivery of all amounts due and/or assets deliverable by the Issuer under the Notes and the Deed of Covenant as and when the same shall become due and payable and/or deliverable. The initial Calculation Agent(s) (if any) is specified on the Notes. The holders of the Notes (the "**Noteholders**" or "**Holders**"), the holders of the interest coupons (the "**Coupons**") appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the instalment receipts (the "**Receipts**") appertaining to the payment of principal by instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

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

Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a set of Applicable Transaction Terms (the "**Applicable Transaction Terms**") which completes or, in the case of Exempt Notes (as defined below), modifies or supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Applicable Transaction Terms. In the event of any inconsistency between these Conditions and the relevant Applicable Transaction Terms, the relevant Applicable Transaction Terms shall prevail. The Applicable Transaction Terms will comprise either (a) the final terms for this Note (or the relevant provisions thereof) as set out in Part A of the Final Terms (the "**Final Terms**") attached to or endorsed on this Note, or (b) if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt Note**"), the final terms for this Note (or the relevant provisions thereof) as set out in Part A of the Pricing Supplement (the "**Pricing Supplement**") attached to or endorsed on this Note and may specify other terms and conditions which shall, to the extent inconsistent with the Conditions, supplement amend or replace the Conditions for the purposes of this Note. Any reference in these Conditions to "Applicable Transaction Terms", "relevant Applicable Transaction Terms" and/or "applicable Applicable Transaction Terms", will be deemed to be a reference to "Final Terms", "relevant Final Terms" and/or "applicable Final Terms"; and/or "Pricing Supplement", "relevant Pricing Supplement" and/or "applicable Pricing Supplement", as appropriate in respect of each Series of Notes.

1. Definitions

See also Condition 21 (*Additional Definitions*) below.

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

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

"Affiliate" means, in relation to any entity (the **"First Entity"**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes **"control"** means ownership of a majority of the voting power of an entity or person or, if the Calculation Agent determines appropriate, the power to direct or cause the direction of the management and policies of the First Entity, whether by contract, or otherwise;

"Amortised Face Amount" means, in respect of Zero Coupon Notes, an amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365);

"Associated Costs" means an amount per principal amount of the Notes equal to the Calculation Amount equal to such Notes' pro rata share of the total amount of any and all costs associated or incurred by the Issuer, any Affiliate and/or Hedging Party in connection with an early redemption, including, without limitation, any costs associated with unwinding, substituting, re-establishing and/or incurring any funding relating to the Notes and/or any costs associated with unwinding, substituting, re-establishing and/or incurring any Hedging Arrangements, all as determined by the Calculation Agent;

"Business Day" means:

- (a) either (i) in relation to any sum payable in euro, a TARGET Settlement Day or (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the Relevant Currency;
- (b) a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre specified in the Applicable Transaction Terms (other than TARGET2); and

- (c) if TARGET2 is specified in the Applicable Transaction Terms as an Additional Business Centre, a TARGET Settlement Day;

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

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

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

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

"Cash Settled Notes" means Notes for which settlement will be by way of cash settlement, as provided in the Applicable Transaction Terms;

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

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

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

"Credit Linked Notes" means Notes to which the Credit Linked Conditions are specified to apply in the relevant Applicable Transaction Terms;

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

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **"30/360"** is so specified, means the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

Notwithstanding anything to the contrary in these Conditions, if "Not Applicable" is specified in respect of the Day Count Fraction in the Applicable Transaction Terms, no Day Count Fraction will be taken into account in the calculation of any interest in respect of the Notes;

"Early Redemption Amount" means, in respect of any Note, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in, or determined in accordance with, the relevant Applicable Transaction Terms and if "Market Value less Associated Costs" is specified in the Applicable Transaction Terms, this amount will be the fair market value of such Notes less Associated Costs and subject where applicable to the provisions of the definition "Fair Market Value Interest Element";

"Early Redemption Amount (Tax)" means, in respect of any Note, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in, or determined in accordance with, the relevant Applicable Transaction Terms and subject where applicable to the provisions of the definition "Fair Market Value Interest Element";

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

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

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

"Fair Market Value Interest Element" means, if "Fair Market Value Interest Element" is specified as applicable in the Applicable Transaction Terms, then notwithstanding any other provision in the Conditions, no amount of accrued interest will be payable on early redemption of the Notes, but the Early Redemption Amount (Tax) or Early Redemption Amount (as applicable) will take into account the fair market value (if any) of the interest element of the Notes less, if so specified in the Applicable Transaction Terms, any Associated Costs;

"Final Redemption Amount" shall be an amount in respect of each Calculation Amount equal to, the Calculation Amount multiplied by: (i) the percentage or (ii) the Final Payout, in each case as specified in the relevant Applicable Transaction Terms or Drawdown Prospectus (as the case may be). For the avoidance of doubt, if the Final Payout is zero or negative, no amount shall be payable on the final redemption of the Note;

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

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

"Fund Linked Notes" means Notes linked to a specified fund share or unit or basket of fund shares or units (as specified in the relevant Applicable Transaction Terms or Drawdown Prospectus (as the case may be));

"Hedging Arrangements" means any underlying or related transaction(s), asset(s) or trading position(s) or arrangements the Issuer and/or any of its Affiliates or agents may enter into or hold from time to time (including, if applicable, on a portfolio basis) to hedge directly or indirectly and whether in whole or in part the credit or other price risk or funding of the Issuer issuing and performing its obligations with respect to the Notes;

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s);

"Hedging Transaction" means any transaction that the Issuer enters into in order to hedge its obligations in respect of the Notes;

"Index Linked Notes" means Equity Linked Notes other than Single Share Linked Notes and Share Basket Linked Notes;

"Inflation Linked Notes" means Notes linked to a specified inflation index or basket of inflation indices (as specified in the relevant Applicable Transaction Terms or Drawdown Prospectus (as the case may be));

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

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

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

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

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

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

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

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

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

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

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

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

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

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

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per

Calculation Amount) as may be specified in, or determined in accordance with, the relevant Applicable Transaction Terms;

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

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

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

"Other Reference Item" means a reference item other than a share index, a share, an inflation index, a reference item rate, a fund share, a fund unit, the credit of a specified entity or a foreign exchange rate, as specified in the relevant Pricing Supplement for the purpose of determining any interest payable or the redemption amount in respect of the relevant Note;

"Other Reference Item Linked Interest Note" means any Reference Item Linked Note in relation to which one or more interest amounts payable in respect of such Note are determined by reference to an Other Reference Item;

"Other Reference Item Linked Note" means an Other Reference Item Linked Interest Note or an Other Reference Item Linked Redemption Note;

"Other Reference Item Linked Redemption Note" means any Reference Item Linked Note in relation to which the redemption amounts payable in respect of such Note are determined by reference to an Other Reference Item;

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

"Physical Delivery Notes" means Notes for which settlement will be by way of physical delivery, as provided in the Applicable Transaction Terms;

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

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

"Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes, for the purposes of this Prospectus only, any relevant implementing measure in a relevant Member State of the European Economic Area;

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

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

"Reference Item" means one or more underlying reference assets, entities or bases, as may be specified in the relevant Applicable Transaction Terms;

"Reference Item Linked Note" means a Note whose return (whether in respect of any interest payable on such Note and/or its redemption amount or the assets deliverable in respect of such Note) is linked to one or more Reference Items, including share indices, shares, inflation indices, reference item rate(s), fund shares or units, the credit of a specified entity or entities or foreign exchange rates or any Other Reference Item as specified in the relevant Applicable Transaction Terms;

"Reference Rate" means one of LIBOR or EURIBOR or, in the case of Exempt Notes, any other rate, as specified in the relevant Applicable Transaction Terms;

"Regular Period" means:

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

"Relevant Business Day" means:

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

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

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

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

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

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

"Share Linked Notes" means Equity Linked Notes other than Single Share Index Linked Notes and Share Index Basket Linked Notes.

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

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

"Specified Duration" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative interest accrual period, ignoring any adjustment pursuant to a Business Day Convention;

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

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

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

"TARGET Settlement Day" means any day on which TARGET2 is open; and

"Variable Coupon Amount Note" means each Note specified as such in the relevant Applicable Transaction Terms.

2. **Form, Denomination and Title**

The Notes are issued in bearer form ("**Bearer Notes**", which expression includes Notes which are specified to be Exchangeable Bearer Notes), in registered form ("**Registered Notes**"), or in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") in each case in the Specified Denomination(s) shown thereon.

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

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

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

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Receipt, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for

all other purposes, whether or not such Note, Receipt, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them herein, the absence of any such meaning indicating that such term is not applicable to the Notes.

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

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

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

Subject as provided in Condition 3(f) (*Closed periods*), Exchangeable Bearer Notes may be exchanged for the same aggregate principal amount of Registered Notes at the request in writing of the relevant holder of a Note and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of the Principal Paying Agent, the Registrar or any Transfer Agent: **provided, however, that** where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b) (*Payments, Talons and Physical Delivery - Registered Notes*)) for any payment of interest or Instalment Amount, the Coupon in respect of that payment of interest or Receipt in respect of that Instalment Amount need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Bearer Notes which are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) ***Transfer of Registered Notes***

One or more Registered Notes may be transferred upon the surrender of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate in respect of the balance not transferred will be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

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

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

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

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

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

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

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

(f) ***Closed periods***

No holder of a Note may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for a Registered Note (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 6(d) (*Redemption, Purchase and Options – Redemption at the Option of the Issuer and Exercise of Issuer's Options*) or (iii) after any such Note has been drawn for redemption in whole or in part. An Exchangeable Bearer Note called for redemption may, however, be exchanged for a Registered Note in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

(g) ***Restricted Securities***

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

4. **Guarantee and Status**

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

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

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

(b) ***Guarantee***

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable and/or delivery of all assets expressed to be deliverable by the Issuer under the Notes, Receipts and Coupons. The obligations of the Guarantor in respect of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* without any preference in respect of other Notes of the same Series and in the event of the insolvency (*concurso*) of the Guarantor will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such payment obligations that are preferred by law under Articles 84.2, 90, 91 and any deposits described in Additional Provision 14.1 of Law 11/2015) or, as the case may be, that are qualified as subordinated debt by law under Article 92, of Spanish Law 22/2003 on insolvency (*Ley Concursal*) dated 9 July 2003 ("**Law 22/2003**") or equivalent legal provisions which replace them in the future. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee.

The claims of all creditors against the Guarantor considered as "ordinary credits" will be satisfied pro rata in insolvency. Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Law 22/2003, the further accrual of interest shall be suspended from the date of declaration of the insolvency of the Guarantor. Claims of Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Guarantor shall constitute subordinated claims against the Guarantor ranking in accordance with the provisions of article 92 of the Spanish Insolvency Law (including, without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Guarantor).

The obligations of the Guarantor under the Guarantee are also subject to the application of the general bail-in tool by the relevant resolution authority pursuant to the Bank Recovery and Resolution Directive and Law 11/2015.

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

5. Interest Provisions

(a) Fixed Rate Note Provisions

- (i) *Application:* This Condition 5(a) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Applicable Transaction Terms as being applicable.
- (ii) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 7 (*Payments, Talons and Physical Delivery*) and Condition 5(b)(vi) (*Reference Item Linked Interest Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount or the payment and/or delivery of the Entitlement (if applicable) due is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5(a) (as well after as before judgment) until whichever is the earlier of (A) the day on which all sums due and/or assets

comprised in the Entitlement in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent or Registrar (as the case may be) or any agent appointed by the Issuer to deliver such assets to Noteholders has notified the Noteholders that it has received all sums due and/or assets comprised in the Entitlement in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment and/or delivery).

- (iii) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (iv) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(b) ***Floating Rate, Notes, CMS Linked Notes, Reference Item Linked Notes and Other Reference Item Linked Notes***

- (i) *Application:* This Condition 5(b) is applicable to the Notes only if the Floating Rate Note Provisions, CMS Linked Note provisions, Equity Linked Note Provisions, Inflation Linked Note Provisions, Fund Linked Note Provisions or Foreign Exchange (FX) Rate Note Provisions are specified in the relevant Applicable Transaction Terms as being applicable or if the Other Reference Item Linked Interest Notes Provisions are specified in the relevant Applicable Transaction Terms or Drawdown Prospectus (as the case may be) as being applicable.
- (ii) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 7 (*Payments, Talons and Physical Delivery*) and Condition 5(b)(vi) (*Reference Item Linked Interest Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount or the payment and/or delivery of the Entitlement (if applicable) due is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (A) the day on which all sums due and/or assets comprised in the Entitlement in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent or Registrar (as the case may be) or any agent appointed by the Issuer to deliver such assets to Noteholders has notified the Noteholders that it has received all sums due and/or assets comprised in the Entitlement in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment and/or delivery).
- (iii) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Applicable Transaction Terms as the manner in which the Rate(s) of Interest or Rate is/are to be determined, the Rate for each Interest Period will be determined by the Calculation Agent on the following basis and the Rate of Interest shall be determined in accordance with Condition 5(b)(v) (in the case of Floating Rate Notes) or Condition 5(b)(vi) (in the case of Reference Item Linked Interest Notes):
 - (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which

appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (C) if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean of such quotations; and
- (D) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

- (iv) *ISDA Determination:* If ISDA Determination is specified in the relevant Applicable Transaction Terms as the manner in which the Rate(s) of Interest or Rate is/are to be determined, the Rate applicable to the Notes for each Interest Period will be the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Applicable Transaction Terms;
 - (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Applicable Transaction Terms; and
 - (C) the relevant Reset Date (as defined in the ISDA Definitions) is either (X) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (Y) in any other case, as specified in the relevant Applicable Transaction Terms.

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, unless otherwise stated in

the Applicable Transaction Terms, the Minimum Rate of Interest shall be deemed to be zero.

- (v) *Rate of Interest:* the Rate of Interest in relation to the Notes (other than Reference Item Linked Interest Notes) shall be determined as follows:
 - (A) If "Margin Plus Rate" is specified as applicable in the applicable Applicable Transaction Terms, the Rate of Interest will be equal to the Margin plus the Rate;
 - (B) If "Specified Percentage Multiplied by Rate" is specified in the applicable Applicable Transaction Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by the Rate; or
 - (C) If "Difference in Rates" is specified in the applicable Applicable Transaction Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by (Rate – Rate 2), each of Rate and Rate 2 to be determined in accordance with Condition 5(b)(iii) or (iv), as applicable.
- (vi) *Reference Item Linked Interest Notes:* In the case of Reference Item Linked Interest Notes or Other Reference Item Linked Interest Notes, where the Rate of Interest and/or the Interest Amount (whether on any Interest Payment Date, early redemption, maturity or otherwise) is to be determined by reference to one or more Reference Items, the Rate of Interest and/or the Interest Amount shall be determined where applicable as provided in the relevant Applicable Transaction Terms and, where applicable, the Payout Annex.
- (vii) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Applicable Transaction Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the Applicable Transaction Terms, the Minimum Rate of Interest shall be deemed to be zero and in no event shall the Rate of Interest be less than zero.
- (viii) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (ix) *Calculation of other amounts:* If the relevant Applicable Transaction Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Applicable Transaction Terms.
- (x) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest

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

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

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

- (i) *Application:* This Condition 5(c) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Applicable Transaction Terms as being applicable.
- (ii) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Applicable Transaction Terms.

(d) ***Accrual of Interest for Credit Linked Notes***

If Annex 4 (*Additional Terms and Conditions for Credit Linked Notes*) applies in respect of the Notes and:

- (i) "Accrual of Interest upon Credit Event" is specified as Not Applicable in the Applicable Transaction Terms, each Note shall cease to bear interest from (and including) the Interest Payment Date immediately preceding or, if the Credit Event Determination Date is an Interest Payment Date, coinciding with the Credit Event Determination Date or, if the Credit Event Determination Date falls on or prior to the first Interest Payment Date, no interest shall accrue on the Notes; or
- (ii) "Accrual of Interest upon Credit Event" is specified as being Applicable in the Applicable Transactions Terms, each Note shall cease to bear interest from the Credit Event Determination Date; and

Provided further that, if Annex 4 (*Additional Terms and Conditions for Credit Linked Notes*) applies in respect of the Notes and;

- (A) Credit Linked Condition 5, Credit Linked Condition 6 or Credit Linked Condition 7 applies, in respect of the Notes and, in the case of Credit linked Condition 5, a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Credit Linked Condition 6, a Failure to Pay has not occurred on or prior to the Grace Period Extension Date or, in the case of Credit Linked Condition 7, a Credit Event has not occurred on or prior to the DC Determination Cut-off Date; and/or
- (B) Credit Linked Condition 8 applies in respect of the Notes and:
 - I. the Repudiation/Moratorium Extension Condition is not satisfied; or
 - II. a Credit Event Determination Date has not occurred,

in each case, on or prior to the Postponed Cut-Off Date, then the interest will accrue as provided in Credit Linked Condition 5, Credit Linked Condition 6, Credit Linked Condition 7 or Credit Linked Condition 8, as the case may be.

(e) ***Call Option Interest Rate and Put Option Interest Rate***

- (i) The provisions of this Condition 5(e) apply to any Notes in respect of which the Rate of Interest specified in the Applicable Transaction Terms is Call Option Interest Rate or Put Option Interest Rate (such Notes being "**Call Option Rate Notes**" and "**Put Option Rate Notes**" respectively).
- (ii) Notwithstanding anything to the contrary in the Conditions (including with respect to accrual), there are no Interest Periods in respect of the Notes and each nominal amount of Notes equal to the Calculation Amount pays the Interest Amount (if any) on each Interest Payment Date and the Conditions (including, without limitation, Condition 5) will be construed accordingly.
- (iii) The Interest Amount (if any) in respect of each nominal amount of Notes equal to the Calculation Amount and an Interest Payment Date will be an amount in the Specified Currency (rounded to the nearest sub-unit of the Specified Currency with half a sub-unit being rounded upwards) calculated by the Calculation Agent in its sole and absolute discretion equal to the Calculation Amount multiplied by the Rate of Interest.
- (iv) In the event that the Notes are redeemed pursuant to Condition 6(b), Condition 6(d)(v), Condition 6(e) or Condition 10, no Interest Amount or any other amount of accrued interest will be payable in respect of the Notes in respect of any relevant Interest Payment Date which has not occurred on or prior to the date fixed for such redemption, and if the date fixed for such redemption falls prior to the first Interest Payment Date, no Interest Amount will be payable in respect of the Notes.
- (v) In the event that on the due date for final redemption of any Note upon due presentation thereof, payment of the Redemption Amount is improperly withheld or refused, such Note will accrue interest (as well after as before judgment) in respect of each Note of a nominal amount equal to the Calculation Amount on each day during the period from (and including) the due date for redemption of such Note and ending on whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or Registrar (as the case may be) has notified the Noteholders that it has received all sums due in respect of such Note up to such seventh day (except to the extent that there is any subsequent default in payment), such interest to be calculated by applying to the Calculation Amount an overnight deposit rate in respect of the Specified Currency and adjusting the resulting amount by a day count fraction, all as determined by the Calculation Agent in its sole and absolute discretion, as appropriate, from such source(s) as it may select for such day.

(f) ***Zero Coupon Notes***

- (i) Application: This Condition 5(f) is applicable only if the Zero Coupon Notes provisions are specified in the Applicable Transaction Terms as being applicable. Zero Coupon Notes are Notes issued on a non-interest bearing basis and are offered and sold at a discount (other than a de minimis discount) to its nominal amount or at par and to which Zero Coupon Notes provisions are expressed to be applicable.

6. **Redemption, Purchase and Options**

(a) ***Final Redemption***

Unless previously redeemed, purchased and cancelled as provided below, each Note will be redeemed (i) at its Final Redemption Amount on the Maturity Date, or (ii) if Physical Settlement is specified as applicable in the Applicable Transaction Terms (each such Note a

"**Physical Delivery Note**"), by delivery of the Entitlement (as provided in Condition 7) on the Delivery Date, or (iii) if it is a Credit Linked Note and is to be settled pursuant to Credit Linked Condition 3 ("**Physical Settlement**"), by delivery of the Asset Amount, subject to the terms of the Credit Linked Conditions.

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

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified thereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), (subject as provided below, together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Ireland or the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligations cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Notes (or either Guarantee, as the case may be) were then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent a certificate signed by a director of the Issuer (or the Guarantor, as the case may be) stating that the Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantor, as the case may be) so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) ***Purchases***

The Issuer, the Guarantor and any of the Guarantor's Subsidiaries may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price.

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

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

compliance with any applicable laws and competent authority, stock exchange and/or quotation system requirements.

- (v) Subject to paragraph (iv) above, the Issuer may in respect of any Call Option Rate Notes on giving irrevocable notice to the Noteholders of not less than the Minimum Early Redemption Notice Period, upon the expiry of such notice, redeem all, but not some only, of the Notes then outstanding on any Optional Redemption Date (Call) (an "**Issuer Call**"). Any such redemption of Notes will be at the Optional Redemption Amount (Call) together with interest accrued and payable on such Optional Redemption Date (Call).

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

- (i) Subject to paragraph (ii) below, the Issuer shall, other than in the case of Put Option Rate Notes, at the option of the holder of any such Note, redeem such Note on the date or dates so provided at its Optional Redemption Amount (Put) together with interest accrued to the date fixed for redemption.
- (ii) To exercise such option or any other option of a holder of Notes which may be set out hereon the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Certificate representing such Note(s) with the Registrar or any Transfer Agent (in the case of Registered Notes) at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) not less than 30 and not more than 60 days (or, in the case of Put Option Notes, not less than the Minimum Early Redemption Notice Period) prior to the relevant date fixed for redemption. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.
- (iii) In the case of Put Option Rate Notes, subject to paragraph (ii), the Issuer shall, at the option of the holder of any such Note (a "**Noteholder Put**"), redeem such Note on the relevant Optional Redemption Date (Put) specified in the Exercise Notice at its Optional Redemption Amount (Put) together with interest accrued to the date fixed for redemption.

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

Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note which provides for Instalment Dates and Instalment Amounts will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Note shall be reduced by the Instalment Amount for all purposes.

(g) ***Cancellation***

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

(h) ***Late Payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), 6(b), 6(d) or 6(e) above or upon it becoming due and repayable as provided in Condition 10, is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 1 ("**Amortised Face Amount**") above as though the references therein to the date

fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

7. **Payments, Talons and Physical Delivery**

(a) ***Bearer Notes***

Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and **provided that** the Receipts are presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi) (*Unmatured Coupons and Receipts and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii) (*Unmatured Coupons and Receipts and unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in that currency with, a bank in the principal financial centre of that currency; and in the case of Euro, by transfer to, a Euro account to which Euro may be credited or transferred as specified by the payee.

(b) ***Registered Notes***

- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but no other Instalment Amounts) in respect of Registered Notes will be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes will be paid to the person shown on the Register at the close of business (in the relevant clearing system), on the Clearing System Business Day before the due date for payment thereof (the "**Record Date**") where "Clearing System Business Day" means a day on which each clearing system for which the Registered Note is being held is open for business. Payments of interest on each Registered Note will be made in the currency in which such payments are due by cheque drawn on a bank in the principal financial centre of the country of the currency concerned or, if the currency is euro, in such financial centre or centres in the eurozone as designated by the Registrar and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register maintained by the Registrar. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and subject as provided above, such payment of interest may be made by transfer to an account in the Relevant Currency designated by the holder with a bank in the principal financial centre of the country of that currency or, if the currency is euro, in such financial centre in the eurozone notified to the Registrar by such holder.

(c) ***Payments in the United States***

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively

precluded by exchange controls or other similar restrictions on payment or receipt of such amounts, and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) ***Payments Subject to Laws, Regulations and Directives***

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8 (*Taxation*), (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or (subject to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto, and (iii) Section 871(m) of the Code. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

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

The Principal Paying Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Calculation Agent, the Registrar or any Transfer Agent and to appoint additional or other agents **provided that** the Issuer will at all times maintain (i) a Principal Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a Calculation Agent where the Conditions so require one, (v) Paying Agents having a specified office in at least two major European cities (including Dublin so long as the relevant Notes are listed on the regulated market of the Irish Stock Exchange and the rules of such exchange so require), and (vi) if, and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, such other agents as are required by such competent authority, stock exchange and/or quotation system.

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

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

(f) ***Unmatured Coupons and Receipts and unexchanged Talons***

- (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be presented for payment together with all unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of ten years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9 (*Prescription*)).
- (ii) If the relevant Notes so provide, upon the due date for redemption of any Bearer Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Upon the due date for redemption of any Bearer Note which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note which provides that the relative Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provisions of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note which only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) ***Talons***

On or after the Interest Payment Date for the final Coupon forming part of a Coupon Sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon Sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon Sheet (and if necessary another Talon for a further Coupon Sheet) (but excluding any Coupons which may have become void pursuant to Condition 9 (*Prescription*)).

(h) ***Non-Business Days***

If any date for payment in respect of any Note, Receipt or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

(i) ***Physical Delivery***

(i) Physical Delivery

This Condition 7(i) does not apply to Credit Linked Notes.

(A) Asset Transfer Notices

In order to obtain delivery of the Entitlement in respect of any Physical Delivery Note, the relevant Noteholder must, if such Note is in definitive form, deliver (i) if such Note is a Bearer Note, to any Paying Agent or (ii) if such Note is a Registered Note, to the Registrar or any Paying Agent, in each case, with a copy to the Principal Paying Agent and any entity appointed by the Issuer to deliver the Entitlement on its behalf (the "**Delivery Agent**") no later than the close of business in each place of reception on the Cut-Off Date, a duly completed asset transfer notice substantially in the form set out in the Agency Agreement (the "**Asset Transfer Notice**").

For the purposes hereof, "**Cut-off Date**" means the date specified as such in the Applicable Transaction Terms or if not so specified, the fifth Business Day immediately preceding the Delivery Date.

A form of Asset Transfer Notice may be obtained during normal business hours from the specified office of the Registrar or any Paying Agent.

An Asset Transfer Notice may only be delivered if such Note is in definitive form, in writing.

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

The Asset Transfer Notice shall:

- (1) specify the name, address and contact telephone number of the relevant Noteholder and the person from whom the Issuer or Delivery Agent may obtain details for the delivery of the Entitlement;
- (2) specify the series number of the Notes and the number of Notes which are the subject of such notice;
- (3) include an undertaking to pay all Expenses (as defined below);
- (4) include such details as are required for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered and specify the name and number of the Noteholder's account to be credited with any cash payable by the Issuer or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event or a Failure to Deliver due to Illiquidity and the Issuer electing to pay the Disruption Cash Redemption Amount or Failure to Deliver Redemption Amount, as applicable, or as a result of the Issuer electing to pay the Alternate Cash Redemption Amount (each as defined below);
- (5) certify that the beneficial owner of each Note is not a US person (as defined in the Asset Transfer Notice), the Note is not being redeemed within the United States or on behalf of a US person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a US person in connection with any redemption thereof; and
- (6) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Agency Agreement.

Copies of such Asset Transfer Notices may be obtained from the Registrar or any Paying Agent.

(B) Determinations and Delivery

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

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

The relevant Registrar or Paying Agent, as applicable, shall use its reasonable efforts as soon as reasonably practicable to notify the Noteholder submitting an Asset Transfer Notice, if, in consultation with the Principal Paying Agent and the Issuer, it has determined that such Asset Transfer Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Guarantor, the Paying Agents or the Registrar shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Noteholder.

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

The Entitlement will be delivered on the date fixed for redemption (such date, subject to adjustment in accordance with this Condition 7(i), the "**Delivery Date**"), at the risk of the relevant Noteholder in the manner provided below and provided that the Asset Transfer Notice is duly delivered as provided above not later than the close of business in each place of reception on the Cut-Off Date.

If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to each relevant party prior to the close of business in each place of reception on the Cut-Off Date, then the Entitlement will be delivered as soon as practicable after the Delivery Date at the risk of such Noteholder in the manner set out below, provided that, if in respect of a Note, an Asset Transfer Notice is not delivered to each relevant party with a copy to the Issuer, prior to the close of business in each place of reception on the 90th calendar day following the Cut-off Date then (a) if "Assessed Value Payment Amount" is specified as applicable in the Applicable Transaction Terms, the Issuer shall as soon as reasonably practicable following such date determine the Assessed Value Payment Amount (as defined below) and in respect of such Note shall pay the Assessed Value Payment Amount to the relevant Noteholder in lieu of delivery of the Entitlement as soon as reasonably practicable following determination of the Assessed Value Payment Amount, or (b) if "Assessed Value Payment Amount" is not specified as applicable in the Applicable Transaction Terms, the Issuer's obligations in respect of such Note and the Guarantor's obligations pursuant to the Guarantee in respect of such Note shall be discharged and no further liability in respect thereof shall attach to the Issuer or the Guarantor, as applicable. Upon payment of the Assessed Value Payment Amount, if applicable, the Issuer's and the Guarantor's obligations in respect of such Note shall be discharged. For the avoidance of doubt, in the circumstances described above, such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of a failure to give an Asset Transfer Notice in relation to a Delivery Date and no liability in respect thereof shall attach to the Issuer or the Guarantor as applicable.

The Issuer (or any Delivery Agent on its behalf) shall, at the risk of the relevant Noteholder, deliver (or procure the delivery) of the Entitlement for each Note, 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 Transaction Terms. All costs, taxes, duties and/or expenses including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes ("**Expenses**") arising from the delivery of the Entitlement, in respect of such Notes shall be for the account of the relevant Noteholder and no delivery of the Entitlement shall be made until all Expenses have been paid by the relevant Noteholder to the satisfaction of the Issuer.

(C) General

Notes held by the same Noteholder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Notes, provided that, the aggregate Entitlements in respect of the same Noteholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and in lieu thereof a cash adjustment calculated by the Calculation Agent in its sole and absolute discretion shall be paid to the Noteholder.

Following the Delivery Date in respect of a share forming part of the Entitlement, all dividends on the relevant shares to be delivered will be payable to the relevant party according to market practice assuming a sale of the shares has been executed on the Delivery Date. Any such dividends to be paid to a Noteholder will be paid to the account specified by the Noteholder in the relevant Asset Transfer Notice as referred to in General Condition 7(i)(i)(A).

For such period of time after delivery of the Entitlement until the Delivery Date (the "**Intervening Period**"), none of the Issuer, the Guarantor (if applicable), the Paying Agents, the Registrar, any Delivery Agent or 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 such securities, obligations or Deliverable Obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations 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.

(D) Settlement Disruption

If, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the Applicable Transaction Terms or such commercially reasonable manner as the Calculation Agent has determined is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on the Delivery Date, then the Delivery Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event, provided that, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by delivering the Entitlement using such other commercially reasonable manner as it may select and in such event the Delivery Date shall be such day as the Issuer deems appropriate in connection with delivery of the Entitlement in such other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Delivery Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Delivery Date. For so long as delivery of the Entitlement is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Redemption Amount (as defined below) on the fifth Business Day following the date that notice of such election is given to the Noteholders in accordance with Condition 14 (*Notices*). Payment of the Disruption Cash Redemption Amount will be made in such manner as shall be notified to the

Noteholders in accordance with Condition 14 (*Notices*). The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 (*Notices*) that a Settlement Disruption Event has occurred. No Noteholder shall be entitled to any payment in respect of the relevant Note in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

For the purposes hereof:

"Disruption Cash Redemption Amount" means, in respect of any relevant Note, the fair market value of such Note (taking into account, where the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non-affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Assets) less the cost to the Issuer and/or its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion;

"Settlement Business Day" has the meaning specified in the Applicable Transaction Terms; and

"Settlement Disruption Event" means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer or the Guarantor, as the case may be, as a result of which the Issuer or the Guarantor, as the case may be, cannot make delivery of the Relevant Asset(s) using the method specified in the Conditions and/or the Applicable Transaction Terms.

(E) Failure to Deliver due to Illiquidity

If "Failure to Deliver due to Illiquidity" is specified as applying in the Applicable Transaction Terms and, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets (the **"Affected Relevant Assets"**) comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a **"Failure to Deliver due to Illiquidity"**), then:

- (1) subject as provided elsewhere in the Conditions, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated date of redemption in accordance with this Condition 7(i); and
- (2) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Failure to Deliver Redemption Amount (as defined below) on the fifth Business Day following the date that notice of such election is given to the Noteholders in accordance with Condition 14 (*Notices*). Payment of the Failure to Deliver Redemption Amount will be made in such manner as shall be notified to the Noteholders in accordance with Condition 14 (*Notices*). The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 (*Notices*) that the provisions of this General Condition 7(i)(E) apply.

For the purposes hereof, **"Failure to Deliver Redemption Amount"** means, in respect of any relevant Note, the fair market value of such Note (taking into account, the Relevant Assets comprising the Entitlement which have been duly delivered as provided above, the value of such Relevant Assets), less the cost to the Issuer and/or any of its Affiliates of unwinding any

underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.

(ii) Variation of Settlement

If the Applicable Transaction Terms indicate that the Issuer has an option to vary settlement in respect of the Notes, the Issuer may at its sole and unfettered discretion in respect of each such Note, elect not to pay the relevant Noteholders the Final Redemption Amount or to deliver or procure delivery of the Entitlement to the relevant Noteholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Final Redemption Amount on the Maturity Date to the relevant Noteholders, as the case may be. Notification of such election will be given to Noteholders in accordance with Condition 14 (*Notices*).

(iii) Issuer's Option to Substitute Assets or to pay the Alternate Cash Redemption Amount

Notwithstanding any provision of these Conditions to the contrary, the Issuer may, in its sole and absolute discretion in respect of Notes to which this Condition 7(i) applies, if the Calculation Agent determines (in its sole and absolute discretion) that the Relevant Asset or Relevant Assets, as the case may be, comprises assets which are not freely tradable, elect either (i) to substitute for the Relevant Asset or the Relevant Assets, as the case may be, an equivalent value (as determined by the Calculation Agent in its sole and absolute discretion) of such other assets which the Calculation Agent determines, in its sole and absolute discretion, are freely tradable (the "**Substitute Asset**" or the "**Substitute Assets**", as the case may be) or (ii) not to deliver or procure the delivery of the Entitlement or the Substitute Asset or Substitute Assets, to the relevant Noteholders, but in lieu thereof to make payment to the relevant Noteholder on the Delivery Date of an amount equal to the fair market value of the Entitlement on or about the time of so electing as determined by the Calculation Agent in its sole and absolute discretion by reference to such sources as it considers appropriate (the "**Alternate Cash Redemption Amount**"). Notification of any such election will be given to Noteholders in accordance with General Condition 14 (*Notices*) and in the event that the Issuer elects to pay the Alternate Cash Redemption Amount, such notice shall give details of the manner in which such amount shall be paid.

For purposes hereof, a "**freely tradable**" security shall mean (i) with respect to the United States, a security which is registered under the Securities Act or not restricted under the Securities Act and which is not purchased from the issuer of such security and not purchased from an affiliate of the issuer of such security or which otherwise meets the requirements of a freely tradable security for purposes of the Securities Act, in each case, as determined by the Calculation Agent in its sole and absolute discretion or (ii) with respect to any other jurisdiction, a security not subject to any legal restrictions on transfer in such jurisdiction.

(iv) Rights of Noteholders and Calculations

None of the Issuer, the Guarantor (if applicable), the Calculation Agent, any Delivery Agent and the Agents shall have any responsibility for any errors or omissions in any calculation or determination in respect of the Notes.

The purchase of Notes does not confer on any holder of such Notes any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

(v) For the purposes of the Conditions:

"**Assessed Value Payment Amount**" means, in respect of a Note, an amount determined by the Calculation Agent to be the fair market value of the assets comprised in the Entitlement in respect of such Note less the cost to the Issuer and/or

its Affiliates of unwinding any underlying relating hedging arrangements, all as determined by the Issuer.

8. Taxation

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons by the Issuer or (as the case may be) the Guarantor under the Deed of Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Ireland or any authority therein or thereof having power to tax or the Kingdom of Spain or any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the holders and the Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes, Receipts or (as the case may be) Coupons, in the absence of such withholding or deduction; except that no additional amounts shall be payable with respect to any payment in respect of any Note, Receipt or Coupon or (as the case may be) under the Deed of Guarantee:

- (a) to, or to a third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain, if the Spanish Tax Authorities determine that payments made to such individuals are not exempt from withholding tax and require a withholding to be made; or
- (b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the 30th such day; or
- (c) to, or to a third party on behalf of, Spanish resident corporate entities subject to Spanish Corporate Income Tax, if the Spanish Tax Authorities determine that the Notes do not comply with applicable exemption requirements, including those specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or
- (d) to, or to a third party on behalf of, a holder in respect of whom the Issuer does not receive such information concerning such holder's identity and tax residence as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 eventually made by the Spanish Tax Authorities.

The sale, transfer, or acquisition of Implicit Yield Notes, including, but not limited to, Zero Coupon Notes, to or by individuals (*personas físicas*) who are tax resident in Spain (each a "**Spanish Individual**") is forbidden in all cases. Any transfer of Implicit Yield Notes to or by Spanish Individuals is not permitted and such transfer will be considered null and void by the Issuer and the Guarantor. Accordingly, neither the Issuer nor the Guarantor will recognise any Spanish Individual as an owner of Implicit Yield Notes.

For the purposes of these Terms & Conditions:

"**Implicit Yield Notes**" means Notes in respect of which the income derives from (i) the difference between the redemption amount and the issue price of the Notes, or (ii), subject to the paragraph below, a combination of (A) an explicit coupon and (B) the difference between the redemption amount and the issue price of the Notes.

For the purposes of these Conditions and in accordance with Spanish tax regulations, Notes with the characteristics set out in (ii) above will only be deemed Implicit Yield Notes if the interest payable in each year (explicit coupon) is lower than the Interest Rate of Reference applicable as of the Issue Date.

The "**Interest Rate of Reference**" shall be the interest rate applicable to each calendar quarter determined by reference to 80% of the weighted average rate fixed in the preceding calendar quarter for (i) three-year Spanish Government Bond issues, if the Notes have a term of four years or less, (ii) five year Spanish Government Bond issues, if the Notes have a term of more than four years but equal or less than seven years, or (iii) ten, 15 or 30-year Spanish Government Bond issues, if the Notes have a

term of more than seven years, all as determined by the Calculation Agent in a commercially reasonable manner.

9. **Prescription**

Claims against the Issuer and the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

10. **Events of Default**

If any of the following events (each an "**Event of Default**") occurs and is continuing, the holder of a Note of any Series may give written notice to the Principal Paying Agent at its specified office that such Note is immediately repayable, whereupon the Redemption Amount of such Note, subject as provided below, together with, other than in the case of Call Option Rate Notes and Put Option Rate Notes, accrued interest to the date of payment shall become immediately due and payable;

- (a) if default is made in the payment of any interest or principal due in respect of the Notes or any of them and such default continues for a period of seven days; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Notes, the Deed of Guarantee or the Agency Agreement and (except in the case where such failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a holder of a Note on the Issuer of notice requiring the same to be remedied; or
- (c) if any Indebtedness for Borrowed Money (as defined below) of the Issuer or the Guarantor becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or the Guarantor fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for such payment or within any originally applicable grace period or any security given by the Issuer or the Guarantor for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same or if default is made by the Issuer or the Guarantor in making any payment when due (or within any applicable grace period in respect thereof) under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, **provided that** no such event as aforesaid shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other liability relative thereto either alone or when aggregated with other Indebtedness for Borrowed Money and/or other liabilities relative to all (if any) other such events which shall have occurred shall amount to at least U.S.\$50 million (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution passed for the winding-up, examination or dissolution of the Issuer or the Guarantor unless it is done in connection with a merger, amalgamation or reconstruction or other form of business combination with another company (in the case of the Guarantor, such company to be part of a financial group) and that company assumes all the obligations of the Issuer or the Guarantor, as the case may be, in connection with the Notes, whether by express assumption or by application of law; or
- (e) if the Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business, except for the purposes of a reconstruction, merger or amalgamation or other form of business combination with another company (in the case of the Guarantor, such company to be part of a financial group) and that company assumes all the obligations of the Issuer or the Guarantor, as the case may be, in connection with the Notes, whether by express assumption or by application of law, or the Issuer or the Guarantor stops, suspends or threatens to stop or suspend payment of, or is unable to, or admits inability to, pay all or a material part of its debts (or any class thereof) as they fall due, or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or any class of) the debts of the Issuer or the Guarantor, or is deemed unable

to pay its debts pursuant to or for the purposes of any applicable law, or is (or could be deemed by law or a court to be) adjudicated or found bankrupt or insolvent; or

- (f) if (i) proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, examination, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, examiner, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or in relation to the whole or a part of the undertaking or assets of either of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of either of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and (ii) in any case is not discharged within 14 days; or
- (g) if the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, examination, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (h) the Issuer ceases to be wholly owned and controlled by the Guarantor; or
- (i) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Deed of Guarantee admissible in evidence in the courts of Ireland or the Kingdom of Spain is not taken, fulfilled or done; or
- (j) if the Deed of Guarantee ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under the Deed of Guarantee or the Deed of Guarantee is claimed by the Issuer or the Guarantor not to be in full force and effect; or
- (k) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs including, but not limited to, *suspensión de pagos* or *quiebra*.

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

11. Meetings of Noteholders and Modifications

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interest, including modification by Extraordinary Resolution (or, as the case may be, written resolution which shall take effect as if it were an Extraordinary Resolution) of the Notes (including these Conditions insofar as the same may apply to such Notes). An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest thereon, (ii) to reduce or cancel the principal amount of any Instalment Amount of, any Entitlement in respect of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the Interest Amount in respect thereof, (iv) if a Minimum and/or a Maximum Interest Rate, Instalment Amount or

Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to change any method of calculating the Redemption Amount or Entitlement, (vi) to change the currency or currencies of payment or denomination of the Notes, (vii) to take any steps which as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Noteholders (or at any adjournment thereof) at which a special quorum (provided for in the Agency Agreement) is present. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 95% in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receipholders and Couponholders.

These Conditions may be supplemented, amended, modified, or replaced in relation to any Series of Notes by the terms of the relevant Pricing Supplement or Drawdown Prospectus in relation to such Series. These Conditions may be completed in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such series.

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

The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, which is not prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders, the Receipholders and the Couponholders, and any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

12. **Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and competent authority, stock exchange and/or quotation system requirements, at the specified office of the Principal Paying Agent (in the case of the Bearer Notes, Receipts, Coupons or Talons) and the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 14 (*Notices*), in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14. **Notices**

Notices to the Holders of Registered Notes will be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Notices to the Holders of Bearer Notes will be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice will be validly given if published in another leading daily English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the Holders of Bearer Notes in accordance with this Condition.

15. **Substitution of the Issuer**

(a) The Issuer and the Guarantor may at any time, without the consent of the Noteholders or the Couponholders, substitute for such Issuer any company (the "**Substitute**") upon notice to the Holders by such Issuer, the Guarantor and the Substitute to be given in accordance with Condition 14 (*Notices*), **provided that:**

- (i) no payment and/or delivery of any assets comprising the Entitlement (if applicable) in respect of the Notes, the Receipts or the Coupons or the Deed of Guarantee (as the case may be) is at the relevant time overdue;
- (ii) the Substitute shall, by means of a deed poll in the form scheduled to the Agency Agreement as Schedule 4 (the "**Deed Poll**"), agree to indemnify each holder and Couponholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
- (iii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant shall be unconditionally and irrevocably guaranteed by the Guarantor by means of the Deed Poll;
- (iv) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and, in the case of the Deed Poll of the Guarantor, have been taken, fulfilled and done and are in full force and effect;
- (v) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
- (vi) legal opinions shall have been delivered to the Principal Paying Agent from lawyers of recognised standing in each jurisdiction referred to in (ii) above, in Spain and in England as to the fulfilment of the requirements of this Condition 15 and the other matters specified in the Deed Poll and that the Notes, Receipts, Coupons and Talons are legal, valid and binding obligations of the Substitute;
- (vii) each competent authority, stock exchange and/or quotation system by which the Notes are admitted to listing, trading and/or quotation (if any) shall have confirmed that, following the proposed substitution of the Substitute, the Notes will continue to be admitted to listing, trading and/or quotation by such competent authority, stock exchange and/or quotation system;

- (viii) each relevant credit rating agency which has assigned a credit rating to the Notes (if any), shall have confirmed that following the proposed substitution of the Substitute, the credit rating of the Notes will not be adversely affected; and
- (ix) if applicable, the Substitute has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes.
- (b) Upon the execution of the Deed Poll and the delivery of the legal opinions, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Notes and the Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Notes and under the Agency Agreement.
- (c) After a substitution pursuant to Condition 15(a), the Substitute may, without the consent of any holder, effect a further substitution. All the provisions specified in Condition 15(a) and 15(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute.
- (d) After a substitution pursuant to Condition 15(a) or 15(c) any Substitute may, without the consent of any holder, reverse the substitution, *mutatis mutandis*.
- (e) The Deed Poll and all documents relating to the substitution shall be delivered to, and kept by, the Principal Paying Agent. Copies of such documents will be available free of charge at the specified office of each of the Paying Agents.

16. **Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any holder of Notes or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the holder of Notes or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of Notes or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt of any other judgment or order.

17. **Governing Law and Jurisdiction**

(a) ***Governing law***

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

(b) ***English courts***

Subject to Condition 17(d) (*Rights of the Noteholders to take proceedings outside England*) below, the courts of England have exclusive jurisdiction to settle any dispute arising out of or

in connection with the Notes, Receipts, Coupons and/or Talons (including a dispute relating to the existence, validity, interpretation, performance, breach or termination of the Notes, Receipts, Coupons and/or Talons or the consequences of their nullity and any dispute relating to any non-contractual obligation arising out of or in connection with the Notes, Receipts, Coupons and/or Talons) (a "**Dispute**") and accordingly, each of the Issuer, the Guarantor and any Noteholders, Receiptholders or Couponholder in relation to any Dispute submits to the exclusive jurisdiction of the English Courts.

(c) ***Appropriate forum***

Each of the Issuer and the Guarantor waves any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

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

Condition 17(b) (*English courts*) is for the benefit of the holders of the Notes, Receipts, Coupons and/or Talons only. To the extent allowed by law, holders of Notes, Coupons, Receipts and/or Talons may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions ("**Proceedings**").

(e) ***Process agent***

Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander, S.A., London branch, Attn.: Operations department/Juan Botín, 2 Triton Square, Regent's Place, London NW1 3AN or, if different, its registered office for the time being or at any address of the Issuer or Guarantor, as the case may be, in Great Britain at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or the Guarantor, as the case may be, the Issuer and the Guarantor (acting together) shall, on the written demand of any holder of Notes addressed and delivered to the Issuer and the Guarantor or to the Specified Office of the Principal Paying Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any holder of Notes shall be entitled to appoint such a person by written notice addressed to the Issuer and Guarantor and delivered to the Issuer and Guarantor or to the Specified Office of the Principal Paying Agent. Nothing in this paragraph shall affect the right of any holder of Notes to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(f) ***Waiver of trial by jury***

WITHOUT PREJUDICE TO CONDITION 17(b) (*English courts*), EACH OF THE ISSUER AND THE GUARANTOR WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN CONNECTION WITH THE NOTES, THE RECEIPTS AND THE COUPONS. THESE CONDITIONS MAY BE FILED AS A WRITTEN CONSENT TO A BENCH TRIAL.

18. **Rights of Third Parties**

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

19. **Knock-in Event and Knock-out Event**

This Condition 19 only applies to Index Linked Notes, Share Linked Notes and Fund Linked Notes Linked to an ETF.

(a) This Condition 19 is applicable only if:

- (i) Knock-in Event is specified as applicable in the Applicable Transaction Terms, in which case any payment under the Notes which is expressed to be subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event; or
 - (ii) Knock-out Event is specified as applicable in the Applicable Transaction Terms, in which case any payment under the relevant Notes which is expressed to be subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.
- (b) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Applicable Transaction Terms is the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one-hour period that begins or ends at the Valuation Time a Knock-in Event or a Knock-out Event would otherwise have occurred and a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred; provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the level or price, as applicable, of each affected Index Share, Share or Fund Share, as applicable, as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.
- (c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Applicable Transaction Terms is any time or period of time other than the Valuation Time during the regular trading hours on the relevant Exchange and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one-hour period that begins or ends at the Knock-in Valuation Time or Knock-out Valuation Time, a Knock-in Event or a Knock-out Event would otherwise have occurred and a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the level or price, as applicable, of each affected Share Index, Share or Fund Share, as applicable, as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

"Knock-in Determination Day" means the date(s) specified as such in the Applicable Transaction Terms, or otherwise each Scheduled Trading Day during the Knock-in Determination Period.

"Knock-in Determination Period" means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

"Knock-in Event" means the Knock-in Value is (A):

- (a) greater than;
- (b) greater than or equal to;
- (c) less than; or
- (d) less than or equal to,

the Knock-in Level (in the case of Index Linked Notes) or Knock-in Price (in the case of Share Linked Notes or Fund Linked Notes linked to one or more ETFs) or (B) within the Knock-in Range (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Applicable Transaction Terms.

"Knock-in Level" means the level, amount, number or percentage specified as such in the Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions and/or the Equity Linked Conditions.

"Knock-in Period Beginning Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-in Period Ending Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-in Price" means the price, amount, percentage or number specified as such in the Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions, the Equity Linked Conditions and/or the Fund Linked Conditions, as applicable.

"Knock-in Range" means the range of levels, prices, amounts, numbers or percentages specified as such or otherwise determined in the applicable Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions, the Equity Linked Conditions and/or the Fund Linked Conditions, as applicable;

"Knock-in Valuation Time" means the time or period of time on any Knock-in Determination Day specified as such in the Applicable Transaction Terms or in the event that the Applicable Transaction Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

"Knock-in Value" has the meaning given to it in the Applicable Transaction Terms, being a term defined in Payout Condition 5.2.

"Knock-out Determination Day" means the date(s) as specified in the Applicable Transaction Terms, or otherwise each Scheduled Trading Day during the Knock-out Determination Period.

"Knock-out Determination Period" means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

"Knock-out Event" means the Knock-out Value is (A):

- (a) greater than;
- (b) greater than or equal to;
- (c) less than; or
- (d) less than or equal to,

the Knock-out Level (in the case of Index Linked Notes) or Knock-out Price (in the case of Share Linked Notes or Fund Linked Notes linked to one or more ETFs) or (B) within the Knock-out Range (x) on a Knock-out Determination Day or (y) in respect of any Knock-out Determination Period, as specified in the Applicable Transaction Terms.

"Knock-out Level" means the level, amount, number or percentage specified as such in the Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions and/or the Equity Linked Conditions.

"Knock-out Period Beginning Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-out Period Ending Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-out Price" means the price, amount, percentage or number specified as such in the Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions, the Equity Linked Conditions and/or the Fund Linked Conditions, as applicable.

"Knock-out Range" means the range of levels, prices, amounts, numbers or percentages specified as such or otherwise determined in the Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions, the Equity Linked Conditions and/or the Fund Linked Conditions, as applicable.

"Knock-out Valuation Time" means the time or period of time on any Knock-out Determination Day specified as such in the Applicable Transaction Terms or in the event that the Applicable Transaction Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

"Knock-out Value" has the meaning given to it in the Applicable Transaction Terms, being a term defined in Payout Condition 5.2.

20. **Automatic Early Redemption Event**

This Condition 20 only applies to Index Linked Notes, Share Linked Notes and Fund Linked Notes Linked to an ETF.

If **"Automatic Early Redemption Event"** is specified as applicable in the Applicable Transaction Terms, then unless previously redeemed or purchased and cancelled, if (i) on any Automatic Early Redemption Valuation Date or (ii) in respect of an Automatic Early Redemption Valuation Period, as specified in the Applicable Transaction Terms, an Automatic Early Redemption Event occurs, then the Notes will, subject, in the case of Fund Linked Notes, to Fund Linked Note Condition 5, be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date or Automatic Early Redemption Valuation Period, as applicable, and the Issuer shall redeem each Note of a nominal amount equal to the Calculation Amount at an amount in the relevant currency specified in the Applicable Transaction Terms equal to the relevant Automatic Early Redemption Amount.

"AER Value" has the meaning given to it in the Applicable Transaction Terms, being a term defined in Payout Condition 5.2 (*Value Definitions*).

"Automatic Early Redemption Amount" means an amount, in respect of each nominal account of Notes equal to the Calculation Amount, being the Automatic Early Redemption Payout set out in the Applicable Transaction Terms.

"Automatic Early Redemption Date" means each date specified as such in the Applicable Transaction Terms or if such date is not a Business Day, the next following Business Day, and no Noteholder shall be entitled to any interest or further payment in respect of such delay.

"Automatic Early Redemption Event" means the AER Value is,

- (a) greater than;
- (b) greater than or equal to;
- (c) less than; or
- (d) less than or equal to,

the Automatic Early Redemption Level (in the case of Index Linked Notes) or Automatic Early Redemption Price (in the case of Share Linked Notes or Fund Linked Notes), (a), (b), (c) or (d) applying as specified in the Applicable Transaction Terms.

"Automatic Early Redemption Level" means the level, amount, number or percentage specified as such in the Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions and/or the Equity Linked Conditions.

"Automatic Early Redemption Payout" is as specified in the applicable Applicable Transaction Terms.

"Automatic Early Redemption Price" means the price, amount, percentage or number specified as such in the Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions of these Conditions and/or the Equity Linked Conditions and/or the Fund Linked Notes Conditions, as applicable.

"Automatic Early Redemption Valuation Date" means each date specified as such in the Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the Automatic Early Redemption Valuation Date shall be delayed in accordance with the corresponding provisions of the definition of Valuation Date which shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

"Automatic Early Redemption Valuation Period" means each period specified as such in the Applicable Transaction Terms;

"Automatic Early Redemption Valuation Time" has the meaning given it in the Applicable Transaction Terms.

21. Additional Definitions

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

"Averaging Date" means, in the case of Index Linked Notes relating to one or more Share Index, Share Linked Notes relating to one or more Share or Fund Linked Notes relating to one or more ETF, each date specified as an Averaging Date in the Applicable Transaction Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) if **"Omission"** is specified as applying in the Applicable Transaction Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant level, price or amount provided that, if through the operation of this provision no Averaging Dates would occur, then the Averaging Date will not be omitted and the provisions of the definition of **"Valuation Date"** will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **"Postponement"** is specified as applying in the Applicable Transaction Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **"Modified Postponement"** is specified as applying in the Applicable Transaction Terms then:
 - (i) where the Notes are Index Linked Notes or Equity Linked Notes relating to a Single Share Index or a Single Share, respectively, or Fund Linked Notes relating to a single Fund, the Averaging Date shall be the first succeeding Valid Date (as defined in (iv) below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging

Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below;

- (ii) where the Notes are Index Linked Notes or Equity Linked Notes relating to a Share Index Basket or a Share Basket, respectively, the Averaging Date for each Share or Share Index, as applicable, shall be the first succeeding Valid Date in relation to every Share and/or Share Index, as applicable, forming part of the Share Basket and/or the Share Index Basket, as applicable. If the first succeeding Valid Date in relation to every Share or Share Index forming part of the Share Basket or the Share Index Basket, as applicable, has not occurred for a number of consecutive Scheduled Trading days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date) in respect of every Share or Share Index, as applicable, forming part of the Share Basket or the Share Index Basket, as applicable, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below;
- (iii) where the Notes are Fund Linked Notes relating to a Fund Basket, the Averaging Date for each Fund Share not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the "**Scheduled Averaging Date**") and the Averaging Date for each Fund Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Fund Share. If the first succeeding Valid Date in relation to such Fund Share has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of such Fund Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below; and
- (iv) for the purposes of these Terms and Conditions "**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Coupon Valuation Date**" means the date specified as such in the Applicable Transaction Terms.

"**Entitlement**", in respect of each Calculation Amount, shall be a quantity of the Relevant Asset(s) (and any cash amount to be delivered as a result of rounding down) specified in the Applicable Transaction Terms equal to the Entitlement Amount specified in the Applicable Transaction Terms.

"**Observation Date**" means, in the case of Index Linked Notes relating to one or more Share Index, Share Linked Notes relating to one or more Share or Fund Linked Notes relating to one or more ETF, each date specified as an Observation Date in the Applicable Transaction Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to Omission, Postponement or Modified Postponement, as specified in the Applicable Transaction Terms, contained in the definition of Averaging Date shall apply *mutatis mutandis* as if references in such provisions to Averaging Date were to Observation Date.

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

"Redemption Valuation Date" means the date specified as the Redemption Valuation Date in the Applicable Transaction Terms.

"Relevant Asset(s)" means the relevant asset(s) so specified in the Applicable Transaction Terms.

"Strike Date" means the Strike Date specified in the Applicable Transaction Terms.

"Strike Day" means each date specified as such in the applicable Applicable Transaction Terms.

"Strike Period" means the period specified as the Strike Period in the Applicable Transaction Terms.

"Valuation Date" means, in the case of Index Linked Notes relating to one or more Share Index, Share Linked Notes relating to one or more Share or Fund Linked Notes relating to one or more ETF, the Coupon Valuation Date, Strike Date and/or the Redemption Valuation Date, as the case may be, specified in the Applicable Transaction Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Index Linked Notes relating to a single Share Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Level by determining the level of the Share Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating the Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted level as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in the Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day);
- (b) in the case of Index Linked Notes relating to a Share Index Basket, the Valuation Date for each Share Index shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any Share Index forming part of the Share Index Basket unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day in respect of any Share Index forming part of the Share Index Basket. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for each Share Index forming part of the Share Index Basket, notwithstanding the fact that such day is a Disrupted Day with respect to any Share Index, and (ii) the Calculation Agent shall determine the Settlement Level using the level of that Share Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted level as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in that Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day) and otherwise in accordance with the above provisions;
- (c) in the case of Fund Linked Notes or Share Linked Notes relating to a single Fund Share of an ETF or Share, respectively, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement

Price in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that last such consecutive Scheduled Trading Day;

- (d) in the case of Share Linked Notes relating to a Share Basket, the Valuation Date for each Share shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any Shares forming part of the Share Basket unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to any Share of the Share Basket. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for each Share of the Share Basket, notwithstanding the fact that such day is a Disrupted Day with respect to any Share, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the relevant affected Share, its good faith estimate of the value for the affected Share as of the Valuation Time on the last such consecutive Scheduled Trading Day and otherwise in accordance with the above provisions; or
- (e) in the case of Fund Linked Notes relating to a basket of Fund Shares of one or more ETFs, the Valuation Date for each Fund Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Fund Share affected (each an "**Affected Item**") by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price using its good faith estimate of the value for the Affected Item as of the Valuation Time on the last such consecutive Scheduled Trading Day and otherwise in accordance with the above provisions.

For the purpose of improving the reading and intelligibility in connection with the applicable meaning of Valuation Date used in the relevant Applicable Transaction Terms, a numerical or letter suffix value may be attributed when included in the Applicable Transaction Terms.

ANNEX 1
PROVISIONS RELATING TO EQUITY LINKED NOTES

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

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

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

In the event of any inconsistency between the Conditions and the additional terms and conditions relating to Equity Linked Notes set out in this Annex 1 (the "**Equity Linked Conditions**"), the Equity Linked Conditions shall prevail. In the event of any inconsistency between the Equity Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the Conditions and/or the Equity Linked Conditions and (ii) the Applicable Transaction Terms, the Applicable Transaction Terms shall prevail.

PART 1 SINGLE SHARE LINKED NOTES

This Part 1 (*Single Share Linked Notes*) is applicable only in relation to Notes specified in the Applicable Transaction Terms as being Single Share Linked Notes.

1. DEFINITIONS

"Exchange" means each exchange or quotation system specified in the applicable Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

"Exchange Business Day" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day Convention" means any of the following, as specified in the applicable Applicable Transaction Terms:

- Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day.
- Modified Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date will be the first preceding day that is an Exchange Business Day.

"Related Exchange" means each exchange or quotation system specified as such for the Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the Applicable Transaction Terms, **"Related Exchange"** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

"Relevant Price" means, subject as referred to in relation to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be, in the case of a Share, an amount equal to the official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) quoted on the relevant Exchange for such Share on (i) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Price Date, or (ii) if Averaging is specified in the Applicable Transaction Terms, the relevant Averaging Date or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) cannot be so determined and the relevant Settlement Price Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide, such amount to be

converted, if so specified in the Applicable Transaction Terms, into the Specified Currency at the Exchange Rate specified in the Applicable Transaction Terms on the relevant Settlement Price Date or Averaging Date and such converted amount to be the Relevant Price, all as determined by or on behalf of the Calculation Agent.

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means any day on which each Exchange and Related Exchange are scheduled to be open for trading for their respective regular trading session.

"Settlement Price" means, subject as referred to in relation to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be, (A) if Averaging is not specified in the Applicable Transaction Terms, the Relevant Price for the relevant Settlement Price Date, or (B) if Averaging is specified in the Applicable Transaction Terms, the arithmetic mean of the Relevant Prices of the Single Share on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

"Settlement Price Date" means any Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be.

"Share Issuer" means, in respect of a Share, the issuer of the Share as specified in the Applicable Transaction Terms.

"Valuation Time" means Coupon Valuation Time or the Redemption Valuation Time, as the case may be, specified as such in the Applicable Transaction Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

2. **MARKET DISRUPTION EVENTS**

2.1 **"Market Disruption Events"** means, in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in each case ((i) and (ii)) the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

2.2 **"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

2.3 **"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share on any relevant Related Exchange.

2.4 **"Early Closure"** means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

- 2.5 **"Disrupted Day"** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Automatic Early Redemption Valuation Date, an Averaging Date, a Knock-in Determination Day or a Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.
- 2.6 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **ADJUSTMENTS**

Potential Adjustment Events:

- 3.1 Following the declaration by the Share Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will (i) make the corresponding adjustment(s), if any, to the Relevant Asset and/or the Entitlement (where the Notes are Physical Delivery Notes) the Strike Price, Initial Price, Final Price and Barrier(s), as the case may be, and any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date(s) of the adjustment(s). The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.
- 3.2 For the purposes hereof:
- "Potential Adjustment Event"** means any of the following:
- (i) a subdivision, consolidation or reclassification of a relevant Share (unless resulting in a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer equally or proportionately with such payments to holders of such Shares, or (C) share capital or other securities of another share issuer acquired or owned (directly or indirectly) by the Share Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
 - (iii) an Extraordinary Dividend;
 - (iv) a call by the Share Issuer in respect of relevant Shares that are not fully paid;
 - (v) a repurchase by the Share Issuer or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (vi) in respect of the Share Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as

determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

4. EXTRAORDINARY EVENTS

4.1 Definitions:

"Additional Disruption Event" means a Change in Law, Failure to Deliver, Insolvency Filing or Hedging Disruption.

"Announcement Date" means, (i) in the case of a Merger Event, the date of the first public announcement of a firm intention to engage in a transaction (whether or not subsequently amended) that leads to the Merger Event, (ii) in the case of a Tender Offer, the date of the first public announcement of a firm intention to purchase or otherwise obtain the requisite number of voting shares (whether or not subsequently amended) that leads to the Tender Offer, (iii) in the case of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (iv) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency and (v) in the case of a Delisting, the date of the first public announcement by the Exchange that the Shares will cease to be listed, traded or publicly quoted in the manner described in the "Delisting" definition below. In respect of any Extraordinary Event, if the announcement of such Extraordinary Event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of such regular trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Clearance System Business Day" means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Combined Consideration" means New Shares in combination with Other Consideration.

"Delisting" means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting or any applicable Additional Disruption Event, as the case may be.

"Failure to Deliver" means failure of the Issuer and/or any of its Affiliates to deliver, when due, the Relevant Assets comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for such Shares.

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer, (A) all the Shares of that Share Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Share Issuer become legally prohibited from transferring them.

"Insolvency Filing" means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event" means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Share Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) the consolidation, amalgamation, merger or binding share exchange of the Share Issuer or its subsidiaries with or into another entity in which the Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before (a) in the case of Cash Settled Notes, the latest of the last occurring Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, Observation Date or Valuation Date or, where Averaging is specified in the Applicable Transaction Terms, the final Averaging Date or (b) in the case of Physical Delivery Notes, the relevant Maturity Date.

"Nationalisation" means that all the Shares or all or substantially all the assets of a Share Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"New Shares" means ordinary or common shares, whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that as of the Merger Date or Tender Offer Date are promptly scheduled to be, (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations.

"Other Consideration" means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party).

"Settlement Cycle" means, in respect of a Share, the period of Clearance System Business Days following a trade in such Shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange.

"Settlement Disruption Event" means, in respect of a Share, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Share.

"Share-for-Combined" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists of Combined Consideration.

"Share-for-Other" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists solely of Other Consideration.

"Share-for-Share" means (i) in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, and (ii) a Reverse Merger.

"Tender Offer" means a takeover offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Share Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"Tender Offer Date" means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

4.2 **Consequences:**

Consequences of Merger Events: in respect of any Merger Event, on or after the relevant Merger Date, the Calculation Agent shall either (i) (A) make such adjustment to any one or more of any Relevant Asset and/or the Entitlement (where the Notes are Physical Delivery Notes), the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Merger Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event by an options exchange to options on the relevant Shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Tender Offer: in respect of any Tender Offer, on or after the relevant Tender Offer Date, the Share Issuer and the Shares will not change, but the Calculation Agent shall either (i) (A) make such adjustment to the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Tender Offer (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Tender Offer by an options exchange to options on the relevant shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Nationalisation, Insolvency Filing and Delisting: upon the Issuer's becoming aware of the occurrence of a Nationalisation, Insolvency Filing or Delisting, the early redemption of the Notes will take place (as determined by the Calculation Agent) and then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Additional Disruption Event: upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Correction of the Share Price: in the event that the Share price on the Exchange which is utilised for any calculation or determination made under these Notes is subsequently corrected and the correction is published by the Exchange within one Settlement Cycle after the original publication, the Issuer may notify the Noteholder of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction, and, to the extent necessary, will adjust the terms of these Notes to account for such correction.

PART 2 SINGLE SHARE INDEX LINKED NOTES

This Part 2 (*Single Share Index Linked Notes*) is applicable only in relation to Notes specified in the Applicable Transaction Terms as being Single Share Index Linked Notes.

1. DEFINITIONS.

"Exchange" means, in respect of each component security or reference security of the Share Index (each, a **"Component Security"**), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

"Exchange Business Day" means any Scheduled Trading Day on which: (i) the Share Index Sponsor publishes the level of the Share Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding such Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day Convention" means any of the following, as specified in the Applicable Transaction Terms:

- Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day.
- Modified Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date will be the first preceding day that is an Exchange Business Day.

"Related Exchange" means in respect of a Share Index, each exchange or quotation system specified as such in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the Applicable Transaction Terms, **"Related Exchange"** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share Index.

"Relevant Level" means, subject as referred to in relation to Averaging Date, Observation Date, Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day as the case may be in the case of a Share Index, an amount equal to the official closing level of such Share Index, or in the case of a Share Dividend Index, the level for the Share Dividend Index for the relevant day, as published by the relevant Share Index Sponsor, as determined by the Calculation Agent or, if so specified in the Applicable Transaction Terms, the level of the Share Index determined by the Calculation Agent as set out in the Applicable Transaction Terms at the Valuation Time on (i) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Level Date, or (ii) if Averaging is specified in the Applicable Transaction Terms, each Averaging Date.

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means any day on which: (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

"Share Index Sponsor" means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

"Settlement Level" means, and subject as referred to in Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, Observation Date or Valuation Date, as the case may be, (i) if Averaging is not specified in the Applicable Transaction Terms, the Relevant Level for the relevant Settlement Level Date, or (ii) if Averaging is specified in the Applicable Transaction Terms, the arithmetic mean of the Relevant Levels of the Share Index on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

"Settlement Level Date" means the Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be.

"Share Dividend Index" means an index specified as such in the Applicable Transaction Terms.

"Valuation Time" means (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the Coupon Valuation Time or the Redemption Valuation Time, as the case may be, specified in the Applicable Transaction Terms or, if no such time is specified, the time at which the official closing level of the Share Index is calculated and published by the Share Index Sponsor.

2. **MARKET DISRUPTION EVENTS**

2.1 **"Market Disruption Events"**: means either:

- (i) (a) the occurrence or existence, in respect of any Component Security, of:
 - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (3) an Early Closure in respect of such Component Security; and
- (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20% or more of the level of the Share Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends

at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Sponsor as part of the market "opening data".

- 2.2 **"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.3 **"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security or (ii) futures or options contracts relating to the Share Index on the Related Exchange.
- 2.4 **"Early Closure"** means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.
- 2.5 **"Disrupted Day"** means any Scheduled Trading Day on which: (i) the Share Index Sponsor fails to publish the level of the Share Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) other than in the case of a Share Dividend Index, a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Automatic Early Redemption Valuation Date, an Averaging Date, a Knock-in Determination Day or a Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Notes.
- 2.6 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **ADJUSTMENTS**

- 3.1 If the Share Index is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor sponsor acceptable to the Calculation Agent, or (iii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the **"Successor Share Index"**) will be deemed to be the Share Index.
- 3.2 If (i) on or prior to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, the Share Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalisation and other routine events) (an **"Share Index Modification"**) or permanently cancels the Share Index and no Successor Share Index exists (an **"Share Index**

Cancellation") or (ii) on any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date in respect of this Note, the Share Index Sponsor fails to calculate and announce a relevant Share Index (an "**Share Index Disruption**") and together with a Share Index Modification and a Share Index Cancellation, each an "**Share Index Adjustment Event**"), then the Calculation Agent shall determine if such Share Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Valuation Price(s), Final Price(s) and Barrier(s) and any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Share Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event.

3.3 **Correction of Share Index**

In the event that any price or level published on the Exchange or by the Share Index Sponsor and which is utilised for any calculation or determination made under the Notes is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Noteholder of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction.

"Clearance System Business Day" means, in respect of a clearance system, any day on which such clearance system is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Settlement Cycle" means, in respect of the Share Index, the number of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

"Settlement Disruption Event" means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

4. **ADDITIONAL DISRUPTION EVENTS**

4.1 **Definitions:**

"Additional Disruption Event" means a Change in Law, Insolvency Filing or Hedging Disruption.

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency Filing" means that the issuer of a Component Security institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Component Security shall not be deemed an Insolvency Filing.

- 4.2 **Consequences:** upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent per each of the outstanding Notes.

PART 3 SHARE BASKET LINKED NOTES

This Part 3 (*Share Basket Linked Notes*) is applicable only in relation to Notes specified in the Applicable Transaction Terms as being Share Basket Linked Notes.

1. DEFINITIONS

"Exchange" means, in respect of each Share, each exchange or quotation system specified as such for the Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporary relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

"Exchange Business Day" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day Convention" means any of the following, as specified in the Applicable Transaction Terms:

- Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Shares comprised in the Basket, the Valuation Date will be deemed to be, only for that Share, the first succeeding Exchange Business Day.
- Modified Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Shares comprised in the Basket, the Valuation Date will be deemed to be, only for that Share, the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date for that Share will be the first preceding day that is an Exchange Business Day.

"Related Exchange" means each exchange or quotation system specified as such for each Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to each Share has temporally relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to each Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the Applicable Transaction Terms, **"Related Exchange"** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

"Relevant Price" means, subject as referred to in relation to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be, in the case of a Share, an amount equal to the official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) quoted on the

relevant Exchange for such Share on (i) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Price Date, or (ii) if Averaging is specified in the Applicable Transaction Terms, the relevant Averaging Date or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) cannot be so determined and the relevant Settlement Price Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide, such amount to be converted, if so specified in the Applicable Transaction Terms, into the Specified Currency at the Exchange Rate specified in the Applicable Transaction Terms on the relevant Settlement Price Date or Averaging Date and such converted amount to be the Relevant Price, all as determined by or on behalf of the Calculation Agent.

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means any day on which each Exchange and Related Exchange are scheduled to be open for trading for their respective regular trading session.

"Settlement Price" means, subject as referred to in relation to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be, (A) if Averaging is not specified in the Applicable Transaction Terms, the Relevant Price for the relevant Settlement Price Date, or (ii) if Averaging is specified in the Applicable Transaction Terms, the arithmetic mean of the Relevant Prices for each Share in the Share Basket on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

"Settlement Price Date" means any Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be.

"Valuation Time" means the Coupon Valuation Time or Redemption Valuation Time, as the case may be, specified as such in the Applicable Transaction Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

2. **MARKET DISRUPTION EVENTS**

2.1 **"Market Disruption Events"** means, in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in each case ((i) and (ii)) the Calculation Agent determines is material, at any time during the one-hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

2.2 **"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

- 2.3 **"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.4 **"Early Closure"** means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.
- 2.5 **"Disrupted Day"** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer, of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day would have been an Automatic Early Redemption Valuation Date, an Averaging Date, a Knock-in Determination Day or a Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.
- 2.6 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **ADJUSTMENTS**

Potential Adjustment Events:

- 3.1 Following the declaration by the Share Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will (i) make the corresponding adjustment(s), if any, to the Relevant Asset and/or the Entitlement (where the Notes are Physical Delivery Notes) the Strike Price, Initial Price(s), Valuation Price(s), Final Price(s) and Barrier(s), as the case may be, and, in any case, any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date(s) of the adjustment(s). The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

- 3.2 For the purposes hereof:

"Potential Adjustment Event" means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer equally or proportionately with such payments to holders of such Shares, or (C) share capital or other securities of another share issuer acquired or owned (directly or indirectly) by the Share Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;

- (iii) an Extraordinary Dividend;
- (iv) a call by the Share Issuer in respect of relevant Shares that are not fully paid;
- (v) a repurchase by the Share Issuer or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Share Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

4. EXTRAORDINARY EVENTS

4.1 Definitions:

"Additional Disruption Event" means Change in Law, Failure to Deliver, Insolvency Filing or Hedging Disruption.

"Announcement Date" means, (i) in the case of a Merger Event, the date of the first public announcement of a firm intention to engage in a transaction (whether or not subsequently amended) that leads to the Merger Event, (ii) in the case of a Tender Offer, the date of the first public announcement of a firm intention to purchase or otherwise obtain the requisite number of voting shares (whether or not subsequently amended) that leads to the Tender Offer, (iii) in the case of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (iv) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency and (v) in the case of a Delisting, the date of the first public announcement by the Exchange that the Shares will cease to be listed, traded or publicly quoted in the manner described in the "Delisting" definition below. In respect of any Extraordinary Event, if the announcement of such Extraordinary Event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of such regular trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Clearance System Business Day" means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Combined Consideration" means New Shares in combination with Other Consideration.

"Delisting" means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting or any applicable Additional Disruption Event, as the case may be.

"Failure to Deliver" means failure of the Issuer and/or any of its Affiliates to deliver, when due, the Relevant Assets comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for such Shares.

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) to the Hedging Transaction(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer, (A) all the Shares of that Share Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Share Issuer become legally prohibited from transferring them.

"Insolvency Filing" means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event" means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Share Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Issuer or its subsidiaries with or into another entity in which the Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before (a) in the case of Cash Settled Notes, the latest of the last occurring Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, Observation Date or Valuation Date or, where Averaging is specified in the Applicable Transaction Terms, the final Averaging Date or (b) in the case of Physical Delivery Notes, the relevant Maturity Date.

"Nationalisation" means that all the Shares or all or substantially all the assets of a Share Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"New Shares" means ordinary or common shares, whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that

as of the Merger Date or Tender Offer Date are promptly scheduled to be, (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations.

"Other Consideration" means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party).

"Settlement Cycle" means, in respect of a Share, the period of Clearance System Business Days following a trade in such Shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange.

"Settlement Disruption Event" means, in respect of a Share, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Share.

"Share-for-Share" means (i) in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, and (ii) a Reverse Merger.

"Share-for-Combined" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists of Combined Consideration.

"Share-for-Other" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists solely of Other Consideration.

"Tender Offer" means a takeover offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100 per cent. of the outstanding voting shares of the Share Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"Tender Offer Date" means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

4.2 **Consequences:**

Consequences of Merger Events: in respect of any Merger Event, on or after the relevant Merger Date, the Calculation Agent shall either (i) (A) make such adjustment to any one or more of the Relevant Asset and/or the Entitlement (where the Notes are Physical Delivery Notes), the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Merger Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event by an options exchange to options on the relevant Shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Tender Offer: in respect of any Tender Offer, on or after the relevant Tender Offer Date, the Share Issuer and the Shares will not change, but the Calculation Agent shall either (i) (A) make such adjustment to the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Tender Offer (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Tender Offer by an options exchange to options on the relevant

shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Nationalisation, Insolvency Filing and Delisting: upon becoming aware of the occurrence of a Nationalisation, Insolvency Filing or Delisting, the early redemption of the Notes will take place (as determined by the Calculation Agent) and then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Additional Disruption Event: upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Correction of the Share Price: in the event that the Share price on the Exchange which is utilised for any calculation or determination made under these Notes is subsequently corrected and the correction is published by the Exchange within one Settlement Cycle after the original publication, the Issuer may notify of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction, and, to the extent necessary, will adjust the terms of these Notes to account for such correction.

PART 4 SHARE INDEX BASKET LINKED NOTES

This Part 4 (*Share Index Basket Linked Notes*) is applicable only in the Applicable Transaction Terms as being Share Index Basket Linked Notes.

1. DEFINITIONS

"**Exchange**" means, in respect of each component security or reference security of each of the Indices (each, a "**Component Security**"), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

"**Exchange Business Day**" means, in respect of each Share Index, any Scheduled Trading Day on which: (i) the relevant Share Index Sponsor publishes the level of the Share Index; and (ii) the relevant Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Business Day Convention**" means any of the following, as specified in the Applicable Transaction Terms:

- **Following Business Day Convention:** if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Indices, the Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day.
- **Modified Following Business Day Convention:** (in case the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Share Indices comprised in the Basket, the Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date for that Share Index will be the first preceding day that is an Exchange Business Day).

"**Index Sponsor**" means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

"**Related Exchange**" means, in respect of each Share Index, each exchange or quotation system specified as such in the Applicable Transaction Terms, any successor to such exchange or quotation

system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the Applicable Transaction Terms, "**Related Exchange**" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share Index.

"Relevant Level" means, subject as referred to in relation to Averaging Date, Observation Date, Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day as the case may be in the case of a Share Index, an amount equal to the official closing level of such Share Index or in the case of a Share Dividend Index, the level for the Share Dividend Index for the relevant day, as published by the relevant Share Index Sponsor, as determined by the Calculation Agent or, if so specified in the Applicable Transaction Terms, the level of the Share Index determined by the Calculation Agent as set out in the Applicable Transaction Terms at the Valuation Time on (i) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Level Date, or (ii) if Averaging is specified in the Applicable Transaction Terms, each Averaging Date.

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means, in respect of each Share Index, any day on which: (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

"Settlement Level" means, and subject as referred to in Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, Observation Date or Valuation Date, as the case may be, (i) if Averaging is not specified in the Applicable Transaction Terms, the Relevant Level for the relevant Settlement Level Date, or (ii) if Averaging is specified in the Applicable Transaction Terms, the arithmetic mean of the Relevant Levels of the Share Index Basket on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

"Settlement Level Date" means any Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be.

"Share Dividend Index" means an index specified as such in the Applicable Transaction Terms.

"Valuation Time" means (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the Coupon Valuation Time or the Redemption Valuation Time, as the case may be, specified in the Applicable Transaction Terms or, if no such time is specified, the time at which the official closing level of the Share Index is calculated and published by the Share Index Sponsor.

2. **MARKET DISRUPTION EVENTS**

2.1 Market Disruption Events: means either:

- (i)
 - (a) the occurrence or existence, in respect of any Component Security, of:
 - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour

period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;

- (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (3) an Early Closure in respect of such Component Security; and
- (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20% or more of the level of the Share Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Sponsor as part of the market "opening data".

- 2.2 **"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to the Share on the Exchange; or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.3 **"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security; or (ii) futures or options contracts relating to the Share Index on the Related Exchange.
- 2.4 **"Early Closure"** means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.
- 2.5 **"Disrupted Day"** means any Scheduled Trading Day on which: (i) the Share Index Sponsor fails to publish the level of the Share Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) other than in the case of a Share Dividend Index, a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Automatic Early Redemption Valuation Date, an Averaging Date, a Knock-in Determination Day or a Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Notes.
- 2.6 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **ADJUSTMENTS**

3.1 If any of the Share Indices is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor sponsor acceptable to the Calculation Agent, or (iii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the "**Successor Share Index**") will be deemed to be the Share Index.

3.2 If (i) on or prior to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, the Share Index Sponsor of any of the Share Indices announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalisation and other routine events) (a "**Share Index Modification**") or permanently cancels the Share Index and no Successor Share Index exists (a "**Share Index Cancellation**") or (ii) on any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date in respect of this Note, the Share Index Sponsor of any of the Indices fails to calculate and announce a relevant Share Index (a "**Share Index Disruption**" and together with a Share Index Modification and a Share Index Cancellation, each a "**Share Index Adjustment Event**"), then the Calculation Agent shall determine if such Share Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Valuation Price(s), Final Price, Barrier, and any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Share Index last effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event;

3.3 **Correction of Share Index**

In the event that any price or level published on the Exchange or by the Share Index Sponsor of any of the Indices and which is utilised for any calculation or determination made under the Notes is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Noteholder of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction.

"**Settlement Cycle**" means, in respect of any the Indices, the period of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

"**Clearance System Business Day**" means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"**Settlement Disruption Event**" means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

4. **ADDITIONAL DISRUPTION EVENTS**

4.1 **Definitions:**

"**Additional Disruption Event**" means any of the following events:

"**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the

promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) to the Hedging Transaction(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency Filing" means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

Consequences: upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

ANNEX 2
PROVISIONS RELATING TO INFLATION LINKED NOTES

This Annex 2 (*Provisions Relating to Inflation Linked Notes*) is applicable only in relation to Notes specified in the relevant Applicable Transaction Terms as being Inflation Linked Notes. The definitions set out in Annex 1 (*Provisions relating to Equity Linked Notes*) will also apply in relation to a Series of Inflation Linked Notes unless the context otherwise requires, or such term is defined otherwise herein, and for the purposes of such definitions, the definition of Share Index shall be deemed to be a reference to Inflation Index.

In the event of any inconsistency between the Conditions and the additional terms and conditions relating to Inflation Linked Notes set out in this Annex 2 (the "**Inflation Linked Conditions**"), the Inflation Linked Conditions shall prevail. In the event of any inconsistency between the Inflation Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the Conditions and/or the Inflation Linked Conditions and (ii) the Applicable Transaction Terms, the Applicable Transaction Terms, shall prevail.

Section 1

Inflation Index Description

1. Delay of Publication

If any level of an Inflation Index for a Reference Month which is relevant to the calculation of a payment under the Notes and/or any other determination in respect of the Notes (a "**Relevant Level**") has not been published or announced by the day that is five Business Days prior to the next Determination Date, the Calculation Agent shall determine a Substitute Inflation Index Level (in place of such Relevant Level) as follows:

- 1.1 if Related Bond is specified as applicable in the relevant Applicable Transaction Terms, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the corresponding index level determined under the terms and conditions of the Related Bond; or
- 1.2 if (i) Related Bond is specified as not applicable in the relevant Applicable Transaction Terms, or (ii) the Calculation Agent is not able to determine a Substitute Inflation Index Level under 1.1 above, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$$[SubstituteInflationIndex\ Level = BaseLevel \times (Latest\ Level/Reference\ Level)];\ or$$

- 1.3 otherwise in accordance with any formula specified in the relevant Applicable Transaction Terms,

where:

"**Base Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

"**Latest Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being determined.

"**Reference Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Determination Date, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Paragraph 1 (*Delay of Publication*), will be the definitive level for that Reference Month.

2. **Cessation of Publication**

If a level for the Inflation Index has not been published or announced for two consecutive months or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index then the Calculation Agent shall determine a Successor Inflation Index (in lieu of any previously applicable Inflation Index) for the purposes of the Notes by using the following methodology:

- (a) If at any time a Successor Inflation Index has been designated by the Calculation Agent pursuant to the terms and conditions of the Related Bond, such Successor Inflation Index shall be designated a "Successor Inflation Index" for the purposes of all subsequent Determination Dates, notwithstanding that any other Successor Inflation Index may previously have been determined under Paragraph 2(b), 2(c) or 2(d) below; or
- (b) If a Successor Inflation Index has not been determined under Paragraph 2(a) above and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or a substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Notes from the date that such replacement index comes into effect; or
- (c) If a Successor Inflation Index has not been determined under Paragraph 2(a) or 2(b) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement Inflation Index for the Inflation Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If three responses are received, and two or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If fewer than three responses are received, the Calculation Agent will proceed to Paragraph 2(d) below; or
- (d) If no Successor Inflation Index has been deemed under Paragraph 2(a), 2(b) or 2(c) above by the fifth Business Day prior to the next Determination Date the Calculation Agent will determine an appropriate alternative index for such Determination Date, and such index will be deemed a "Successor Inflation Index", the Calculation Agent shall determine the method of determining the Relevant Level if no such alternative Inflation Index is available.

3. **Rebasing of the Inflation Index**

If the Calculation Agent determines that an Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Inflation Index**") will be used for purposes of determining the level of such Inflation Index from the date of such rebasing; **provided, however, that** the Calculation Agent shall make such adjustments as are made by the Calculation Agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

4. **Material Modification Prior to Determination Date**

If, on or prior to the day that is five Business Days before a Determination Date, an Inflation Index Sponsor announces that it will make a material change to an Inflation Index then the Calculation Agent shall make any such adjustments to the Inflation Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.

5. **Manifest Error in Publication**

If, within 30 days of publication and prior to the redemption of the Notes or payments in respect of any relevant Determination Date in relation to the Notes, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent will notify the holders of the Notes in accordance with Condition 14 of (i) that correction, (ii) the adjusted amount that is then payable under the Notes as a result of that correction and (iii) take such other action as it may deem necessary to give effect to such correction, **provided that** any amount payable pursuant to sub-paragraph (ii) above shall be paid (with no interest accruing thereon) (a) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Determination Date has occurred, within five Business Days after notice of such amount payable by the Calculation Agent, (b) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Determination Date has not occurred, as an adjustment to the payment obligation on the next Determination Date, or (c) if there is no further Determination Date, within five Business Days after notice of such amount, payable by the Calculation Agent.

6. **Inflation Index Level Adjustment Correction**

In relation to any inflation index, unless otherwise specified in the definition of the relevant Inflation Index set out in Section 3 (*Inflation Indices*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*), as specified in the Applicable Transaction Terms, either: (i) the first publication or announcement of the level of the Inflation Index (disregarding estimates) by the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 6, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations; or (ii) the first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Inflation Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Determination Date.

7. **Additional Disruption Events:**

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.
- (b) If the Issuer determines that the relevant Notes shall continue, the Calculation Agent may make such adjustment as the Calculation Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Calculation Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment in respect of each Note of an amount equal to the fair market value of such Note, on such day as is selected by the Calculation Agent in its sole and absolute discretion (**provided that** such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Calculation Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Calculation Agent of the occurrence of an Additional Disruption Event.

Section 2

Definitions

1. Definitions Applicable to Inflation Linked Notes

In relation to Inflation Linked Notes, the following expressions have the meanings set out below:

"Additional Disruption Event" means, with respect to any Series of Notes, a Change in Law or Hedging Disruption;

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"Determination Date" means an Interest Payment Date, Maturity Date or other relevant payment date as may be specified in the Applicable Transaction Terms in relation to the Notes;

"Fallback Bond" means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to the Inflation Index, with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation linked bonds issued on or before the Issue Date and, if there is more than one inflation linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

"Hedge Positions" means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, commodities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Notes;

"Hedging Disruption" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Notes, or (B) realise, recover or remit the proceeds of any such transactions or asset(s);

"Inflation Index" means any index specified as such in the applicable Applicable Transaction Terms which may be specified using the Inflation Indices described in Section 3 (*Inflation Indices*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*);

"Inflation Index Sponsor" means, in respect of an Inflation Index, the entity specified as such in the relevant Applicable Transaction Terms or, if no entity is specified, the entity that publishes or announces (directly or through an agent) the level of the relevant Inflation Index;

"Reference Month" means the calendar month for which the level of the relevant Inflation Index was reported, regardless of when this information is published or announced. If the period for which the Inflation Index level was reported is a period other than a month, the Reference Month will be the period for which the Inflation Index level was reported;

"Related Bond" means the bond specified in the relevant Applicable Transaction Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond is the "Fallback Bond", then for any Related Bond determination under these Conditions, the Calculation Agent shall use the Fallback Bond (as that is defined in this Section 2 (*Definitions*) hereof). If no bond is specified in the relevant Applicable Transaction Terms as the Related Bond and "Fallback Bond: Not applicable" is specified in the relevant Applicable Transaction Terms there will be no Related Bond. If a bond is selected as the Related Bond in the relevant Applicable Transaction Terms, and that bond redeems or matures before the relevant Maturity Date, unless "Fallback Bond: Not applicable" is specified in the relevant Applicable Transaction Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination;

"Substitute Inflation Index Level" means an Inflation Index level, determined by the Calculation Agent pursuant to the provisions of Paragraph 1 (*Delay of Publication*) of Section 1 (*Inflation Index Description*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*), in respect of a Determination Date; and

"Successor Inflation Index" has the meaning specified in Paragraph 2 (*Cessation of Publication*) of Section 1 (*Inflation Index Description*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*).

Section 3

Inflation Indices

European Union

- (a) **"EUR – Excluding Tobacco-Non-revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"EUR – All Items-Non-revised Consumer Price Index"** means the "Non-revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"EUR – All Items-Revised Consumer Price Index"** means the "Revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Determination Date.

France

- (a) **"FRC – Excluding Tobacco-Non-Revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"FRC – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in France, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

Spain

- (a) **"ESP – National-Revised Consumer Price Index (CPI)"** means the "Year on Year Revised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in Spain, expressed as an annual percentage and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Determination Date.
- (b) **"ESP – National-Non-revised Consumer Price Index (CPI)"** means the "Non-revised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"ESP – Harmonised-Revised Consumer Price Index (HICP)"** means the "Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Determination Date.
- (d) **"ESP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

United Kingdom

- (a) **"GBP – Non-revised Retail Price Index (UKRPI)"** means the "Non-revised Retail Price Index All Items in the United Kingdom", or relevant Successor Inflation Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"GBP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in the United Kingdom, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"GBP – Non-revised Retail Price Index Excluding Mortgage Interest Payments (UKRPIX)"** means the "Non-revised Retail Price Index Excluding Mortgage Interest Payments in the United Kingdom", or relevant Successor Inflation Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

United States

"USA – Non-revised Consumer Price Index – Urban (CPI-U)" means the "Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment", or relevant Successor Inflation Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall

be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

Italy

- (a) **"ITL – Whole Community – Excluding Tobacco Consumer Price Index"** means the "Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) senza tabacchi" or relevant Successor Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"ITL – Whole Community – Including Tobacco Consumer Price Index"** means the "Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) con tabacchi", or relevant Successor Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"ITL – Inflation for Blue Collar Workers and Employees – Excluding Tobacco Consumer Price Index"** means the "Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) senza tabacchi", or relevant Successor Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (d) **"ITL – Inflation for Blue Collar Workers and Employees – Including Tobacco Consumer Price Index"** means the "Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) con tabacchi", or relevant Successor Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (e) **"ITL – Non-revised Harmonised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Index, measuring the rate of inflation in Italy, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

ANNEX 3
ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

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

1. Definitions

"Additional Extraordinary Fund Event" means any event specified as such in the Applicable Transaction Terms;

"AUM" means, assets under management;

"AUM Level" has the meaning given to it in the Applicable Transaction Terms, or if not so specified, with respect to (i) a Mutual Fund, EUR 50,000,000, or (ii) a Hedge Fund, EUR 50,000,000, or (iii) an ETF and EUR 50,000,000 or the equivalent in any other currency;

"Basket Trigger Event" means that an Extraordinary Fund Event (as defined below) occurs in respect of one or more Funds comprising the Fund Basket which has or, in the event that an Extraordinary Fund Event has occurred in respect of more than one Fund, together have, a weighting (as may be specified in the Applicable Transaction Terms) in the Fund Basket equal to or greater than the Basket Trigger Level;

"Basket Trigger Level" has the meaning given to it in the Applicable Transaction Terms or if not so specified, 50%;

"Calculation Date" means each day specified in the Applicable Transaction Terms, or if not so specified, each day which is a Fund Business Day;

"Disrupted Day" means, in the case of an ETF, any Scheduled Trading Day on which:

- (a) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session; or
- (b) a Market Disruption Event has occurred;

"Early Closure" means, in the case of an ETF, the closure on any Exchange Business Day of the relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day;

"ETF" or **"Exchange Traded Fund"** means any Fund specified as being an Exchange Traded Fund in the Applicable Transaction Terms, or if not so specified, any Fund which the Calculation Agent determines to be an exchange traded fund;

"ETF Price" means, in respect of any Automatic Early Redemption Valuation Date, the price per Fund Share as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Automatic Early Redemption Valuation Date;

"Exchange" means, in the case of an ETF and in relation to a Fund Share, each exchange or quotation system specified as such for such Fund Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Fund Share has temporarily relocated (provided that the Calculation Agent has determined that

there is comparable liquidity relative to such Fund Share on such temporary substitute exchange or quotation system as on the original Exchange);

"Exchange Business Day" means in the case of an ETF, either (i) in the case of a single Fund Share, Exchange Business Day (Single Fund Share Basis) or (ii) in the case of a basket of Funds or other assets, (a) Exchange Business Day (All Fund Shares Basis) or (b) Exchange Business Day (Per Fund Share Basis), in each case as specified in the Applicable Transaction Terms, provided that, if no such specification is made in the Applicable Transaction Terms, Exchange Business Day (Per Fund Share Basis) shall apply;

"Exchange Business Day (All Fund Shares Basis)" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading session(s) notwithstanding any such Exchange or Related Exchange closing prior to its (their) Scheduled Closing Time;

"Exchange Business Day (Per Fund Share Basis)" means, in respect of a Fund Share, any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange, if any, in respect of such Fund Share are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its (their) Scheduled Closing Time;

"Exchange Business Day (Single Fund Share Basis)" means, in respect of a Fund Share, any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its (their) Scheduled Closing Time;

"Exchange Disruption" means, in the case of an ETF, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Fund Share on the Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Fund Share on any relevant Related Exchange;

"Extraordinary Fund Event Effective Date" means, in respect of an Extraordinary Fund Event, the date on which such Extraordinary Fund Event occurs, or has occurred, as determined by the Calculation Agent in its sole and absolute discretion;

"Fee" has the meaning given to it in the Applicable Transaction Terms;

"Final Calculation Date" means the date specified as such in the Applicable Transaction Terms;

"Floating Rate Payer" has the meaning given in the ISDA Definitions;

"Fund" means each Mutual Fund, Hedge Fund, Private Equity Fund or ETF;

"Fund Basket" means, where the Fund Linked Notes are linked to the performance of Fund Shares (including, if applicable, Fund Shares in one or more ETFs) of more than one Fund, a basket comprising such Fund Shares;

"Fund Business Day" means either (i) with respect to a single Fund, (a) in respect of a Fund other than an ETF, Fund Business Day (Single Fund Share Basis), or (b) in respect of an ETF, each Scheduled Trading Day, or (ii) in respect of a Fund Basket, (a) in respect of a Fund Basket not comprised of Fund Shares of ETFs, either Fund Business Day (All Fund Shares Basis) or Fund Business Day (Per Fund Share Basis) as specified in the Applicable Transaction Terms, provided that, if no such specification is made in the Applicable Transaction Terms, Fund Business Day (Per Fund Share Basis) shall apply, or (b) in respect of a Fund Basket comprised of ETFs, a day which is a Scheduled Trading Day in respect of each Fund Share comprising the Fund Basket;

"Fund Business Day (All Fund Shares Basis)" means, with respect to a Fund Basket, a date (i) that is a Fund Valuation Date for all Fund Shares comprised in the Fund Basket, (ii) for which there has been a corresponding Fund Reporting Date in respect of each such Fund and (iii) on which the Hedge Provider has, or could have, a subscription or redemption order for each such Fund Share executed at

the NAV per Fund Share as published on the relevant Fund Reporting Date or as calculated by the Calculation Agent, as the case may be;

"Fund Business Day (Per Fund Share Basis)" means, with respect to a Fund Share, a date (i) that is a Fund Valuation Date in respect of such Fund Share, (ii) for which there has been a corresponding Fund Reporting Date and (iii) on which the Hedge Provider has, or could have, a subscription or redemption order for the Fund Shares executed at the NAV per Fund Share as published on the relevant Fund Reporting Date or as calculated by the Calculation Agent, as the case may be;

"Fund Business Day (Single Fund Share Basis)" means with respect to a Fund Share, a date (i) that is a Fund Valuation Date, (ii) for which there has been a corresponding Fund Reporting Date and (iii) on which the Hedge Provider has, or could have, a subscription or redemption order for the Fund Shares executed at the NAV per Fund Share published on the relevant Fund Reporting Date;

"Fund Documents" means, unless specified otherwise in the Applicable Transaction Terms, with respect to any Fund Share, the offering document of the relevant Fund in effect on the Hedging Date specifying, among other matters, the terms and conditions relating to such Fund Share and, for the avoidance of doubt, any other documents or agreements in respect of the Fund, as further described in any Fund Document;

"Fund Reporting Date" means, subject to the occurrence of an Extraordinary Fund Event, in respect of any Fund Share and a Fund Valuation Date, the date on which, in accordance with the Fund Documents, the relevant NAV per Fund Share or Aggregate Fund Shares NAV, as the case may be, is reported or published in respect of such Fund Valuation Date;

"Fund Service Provider" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, in respect of such Fund, whether or not specified in the Fund Documents, including any adviser, manager, administrator, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent, domiciliary agent, sponsor or general partner and any other person specified as such in the Pricing Supplement;

"Fund Share(s)" means an ownership interest issued to or held by an investor in a Fund or any other interest specified as such in the Applicable Transaction Terms;

"Fund Valuation Date" means any date as of which, in accordance with the Fund Documents, the Fund (or the Fund Service Provider that generally determines such value) is or, but for the occurrence of an Extraordinary Fund Event, would have been scheduled to determine the NAV per Fund Share or Aggregate Fund Shares NAV, as the case may be;

"Hedge Fund" means the hedge fund(s) specified as such in the Applicable Transaction Terms;

"Hedge Provider" means the party (being, *inter alios*, the Issuer, the Guarantor, the Calculation Agent, an affiliate or any third party) from time to time who hedges the Issuer's obligations in respect of the Fund Linked Notes or where no such party actually hedges such obligations, a Hypothetical Investor, who shall be deemed to enter into transactions as if hedging such obligations. The Hedge Provider will hold or be deemed to hold such number of Fund Shares, or enter or be deemed to enter into any agreement to purchase or deliver, or pay an amount linked to the performance of, such number of Fund Shares as it (or in the case of a Hypothetical Investor, the Calculation Agent) considers would be held by a prudent issuer as a hedge for its exposure under the relevant Notes;

"Hedging Date" has the meaning given to it in the Applicable Transaction Terms;

"Hypothetical Investor" means a hypothetical or actual investor (as determined by the Calculation Agent in the context of the relevant situation) in a Fund Share which is deemed to have the benefits and obligations, as provided in the relevant Fund Documents, of an investor holding a Fund Share at the relevant time. The Hypothetical Investor may be deemed by the Calculation Agent to be resident or organised in any jurisdiction, and to be, without limitation, the Issuer, the Guarantor, the Calculation Agent or any of their affiliates (as determined by the Calculation Agent in the context of the relevant situation);

"Implied Embedded Option Value" means an amount which may never be less than zero equal to the present value as at the Implied Embedded Option Value Determination Date of any future payments under the Fund Linked Notes determined by the Calculation Agent in its sole and absolute discretion taking into account, without limitation, such factors as interest rates, the net proceeds achievable from the sale of any Fund Shares by the Hedge Provider, the volatility of the Fund Shares and transaction costs;

"Implied Embedded Option Value Determination Date" means the date determined by the Calculation Agent to be the first date on which it is possible to determine the Implied Embedded Option Value following the occurrence of an Extraordinary Fund Event for which the Issuer or, as the case may be, the Guarantor determines the relevant action is to be Termination (as defined below);

"Initial Calculation Date" means the date specified as such in the Applicable Transaction Terms, or if not so specified, the Hedging Date;

"Market Disruption Event" means, if the Fund is an ETF, in respect of a Fund Share the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event, begins or ends at the time when the level of the relevant Fund Share triggers, respectively, the occurrence of the Knock-in Event or Knock-out Event or (b) in all other circumstances that ends at the relevant Valuation Time, or (iii) an Early Closure;

"Merger Event" means, in respect of any relevant Shares and Entity (as defined below), any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share/unit/interest exchange of an Entity with or into another entity or person (other than a consolidation, amalgamation, merger or binding share/unit/interest exchange in which such Entity, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of an Entity that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share/unit/interest exchange of an Entity or its subsidiaries with or into another entity in which the Entity is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event, in each case if the Extraordinary Fund Event Effective Date, as determined by the Calculation Agent, is on or before the Final Calculation Date. For the purposes of this definition "Merger Event" only, "**Shares**" shall mean the applicable Fund Shares or the shares of any applicable Fund Service Provider, as the context may require, and "**Entity**" shall mean the applicable Fund or any applicable Fund Service Provider, as the context may require;

"Mutual Fund" means the mutual fund(s) specified as such in the Applicable Transaction Terms;

"NAV per Fund Share" means, with respect to the relevant Fund Shares and the Fund Reporting Date relating to such Fund Shares, (i) the net asset value per Fund Share as of the relevant Fund Valuation Date, as reported on such Fund Reporting Date by the Fund Service Provider that generally publishes or reports such value on behalf of the Fund to its investors or a publishing service, or (ii) if the Fund Service Provider of the Fund publishes or reports only the aggregate net asset value of the Fund Shares (the "**Aggregate Fund Shares NAV**"), the net asset value per Fund Share calculated by the Calculation Agent on the basis of such aggregate net asset value of the Fund Shares divided by the number of Fund Shares issued and outstanding as of the relevant Fund Valuation Date;

"NAV Trigger Event" means, in respect of the Fund Shares, that (i) the NAV per Fund Share has decreased by an amount equal to, or greater than, the NAV Trigger Percentage(s) at any time during the related NAV Trigger Period, or (ii) the Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgement of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any other contractual restriction binding on or affecting the Fund or any of its assets;

"NAV Trigger Percentage" means the percentage specified in the Applicable Transaction Terms or, if not so specified, with respect to (i) a Mutual Fund, 50%, or (ii) a Hedge Fund, 50%, or (iii) an ETF, 50%;

"NAV Trigger Period" means the period specified in the Applicable Transaction Terms, or if not so specified the period from and including the Initial Calculation Date to and including the Final Calculation Date;

"Non-Principal Protected Termination Amount" means an amount per Security determined by the sum of:

- (i) the Implied Embedded Option Value; and
- (ii) if Delayed Redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the Applicable Transaction Terms, the Simple Interest;

"Number of NAV Publication Days" means the number of calendar days specified in the Applicable Transaction Terms or if not so specified, with respect to (i) a Mutual Fund, five calendar days, or (ii) a Hedge Fund, ten calendar days, or (iii) an ETF, five calendar days;

"Principal Protected Termination Amount" means an amount per Fund Linked Note determined as the sum of:

- (i) the Protected Amount;
- (ii) the Implied Embedded Option Value; and
- (iii) if delayed redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the Applicable Transaction Terms, the Simple Interest;

"Private Equity Fund" means the private equity fund(s) specified as such in the Applicable Transaction Terms;

"Protected Amount" means the amount specified as such in the Applicable Transaction Terms;

"Related Exchange" means, in the case of an ETF and in relation to a Fund Share, each exchange or quotation system specified as such for such Fund Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Fund Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Fund Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the Applicable Transaction Terms, Related Exchange shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Fund Share;

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

"Scheduled Trading Day" means either (i) in the case of a single ETF and in relation to a Fund Share, Scheduled Trading Day (Single Fund Share Basis) or (ii) in the case of a basket of ETFs, (a) Scheduled Trading Day (All Fund Shares Basis) or (b) Scheduled Trading Day (Per Fund Share Basis), in each case as specified in the Applicable Transaction Terms, provided that, if no such specification is made in the Applicable Transaction Terms, Exchange Business Day (Per Fund Share Basis) shall apply;

"Scheduled Trading Day (All Fund Share Basis)" means any day on which each Exchange and each Related Exchange are scheduled to be open for trading during their respective regular trading session(s);

"Scheduled Trading Day (Per Fund Share Basis)" means, in respect of a Fund Share, any day on which the relevant Exchange and the relevant Related Exchange in respect of such Fund Share are scheduled to be open for trading during their respective regular trading session(s);

"Scheduled Trading Day (Single Fund Share Basis)" means any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading during their respective regular trading session(s);

"Scheduled Valuation Date" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date;

"Settlement Price" means, subject as referred to in relation to any Valuation Date or Averaging Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be in the case of an ETF, an amount equal to the official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or an Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) quoted on the relevant Exchange for such Fund Share on (a) if Averaging is not specified in the Applicable Transaction Terms, the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Applicable Transaction Terms, an Averaging Date (or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) cannot be so determined and the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the Applicable Transaction Terms) for the Fund Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of such Fund Share or on such other factors as the Calculation Agent shall decide);

"Simple Interest" means an amount calculated by the Calculation Agent equal to the amount of interest that would accrue on the Implied Embedded Option Value during the period from (and including) the Implied Embedded Option Value Determination Date to (and including) the Final Calculation Date calculated on the basis that such interest were payable by the Floating Rate Payer under an interest rate swap transaction incorporating the 2006 ISDA Definitions under which:

- (A) the **"Effective Date"** is the Implied Embedded Option Value Determination Date;
- (B) the **"Termination Date"** is the Termination Date;
- (C) the **"Floating Rate Payer Payment Date"** is the Termination Date;
- (D) the **"Floating Rate Option"** is EUR-EURIBOR-Reuters (if the Settlement Currency is EUR) or USD-LIBOR-BBA (if the Settlement Currency is USD);
- (E) the **"Designated Maturity"** is three months;
- (F) the **"Simple Interest Spread"** is as specified in the Applicable Transaction Terms, or if not so specified minus 0.125%;
- (G) the **"Floating Rate Day Count Fraction"** is Actual/360;

(H) the "**Reset Date**" is the Implied Embedded Option Value Determination Date and each date falling three calendar months after the previous Reset Date; and

(I) "**Compounding**" is "**Inapplicable**";

"**Specified Maximum Days of Disruption**" means the number of days specified in the Applicable Transaction Terms, or if not so specified, five Scheduled Trading Days;

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 50% and less than 100% of the outstanding voting shares, units or interests of the Fund or Fund Service Provider, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant;

"**Termination Amount**" means the amount specified in the Applicable Transaction Terms or if not so specified, (x) the Principal Protected Termination Amount, or (y) the Non-Principal Protected Termination Amount, as specified in the Applicable Transaction Terms;

"**Termination Date**" means (i) the date specified in the applicable Application Transaction Terms, or (ii) if Delayed Redemption on the occurrence of an Extraordinary Fund Event is specified as being applicable in the relevant Applicable Transaction Terms, such delayed date as will be specified by the Issuer in a notice to Holders in accordance with Condition 14 (*Notices*), hereof;

"**Trade Date**" has the meaning given to it in the Applicable Transaction Terms;

"**Trading Disruption**" means, in the case of an ETF and in relation to a Fund Share, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or any Related Exchange or otherwise (i) relating to the Fund Share on the Exchange or (ii) in futures or options contracts relating to the Fund Share on any relevant Related Exchange; and

"**Valuation Time**" in the case of an ETF and in relation to a Fund Share means either (i) the close of trading on the Exchange or (ii) as otherwise specified in the Applicable Transaction Terms.

2. **Extraordinary Fund Events**

Subject to the provisions of Fund Linked Note Condition 3 (*Determination of Extraordinary Fund Events*), "**Extraordinary Fund Event**" means the occurrence or continuance at any time on or after the Trade Date of any of the following events as determined by the Calculation Agent:

Global Events:

2.1 the Fund or any Fund Service Provider:

- (i) ceases trading and/or, in the case of a Fund Service Provider, ceases administration, portfolio management, investment services, custodian services, prime brokerage, or any other relevant business (as applicable);
- (ii) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (iii) makes a general assignment or arrangement with or for the benefit of its creditors;
- (iv) (1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (2) has instituted against it proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights,

or a petition is presented for its winding-up or liquidation, and such proceedings or petition is instituted or presented by a person or entity not described in sub-clause (iv) (1) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained, in each case within 15 days of the institution or presentation thereof;

- (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (vi) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not immediately dismissed, discharged, stayed or restrained; or
- (vii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an effect analogous to any of the events specified in sub-clauses (i) to (vi) above; or

2.2 the occurrence of a Merger Event or Tender Offer;

Litigation/Fraudulent Activity Events:

2.3 there exists any litigation against the Fund or a Fund Service Provider which in the sole and absolute discretion of the Calculation Agent could materially affect the value of the Fund Shares or the rights or remedies of any investor in such Fund Shares; or

2.4

- (i) an allegation of criminal or fraudulent activity is made in respect of the Fund, or any Fund Service Provider, or any employee of any such entity, or the Calculation Agent reasonably determines that any such criminal or fraudulent activity has occurred; or
- (ii) any investigative, judicial, administrative or other civil or criminal proceedings are commenced or threatened against the Fund, any Fund Service Provider or any key personnel of such entities if such allegation, determination, suspicion or proceedings could, in the sole and absolute discretion of the Calculation Agent, materially affect the value of the Fund Shares or the rights or remedies of any investor in such Fund Shares;

Fund Service Provider/Key Person Events:

2.5

- (i) a Fund Service Provider ceases to act in such capacity in relation to the Fund and is not immediately replaced in such capacity by a successor acceptable to the Calculation Agent; and/or
- (ii) any event occurs which causes, or will with the passage of time (in the opinion of the Calculation Agent) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents which failure is reasonably likely to have an adverse impact on the value of the Fund Shares or on the rights or remedies of any investor in such Fund Shares; or

2.6 one or more of the key individuals involved with, or having supervision over, the Fund or a Fund Service Provider ceases to act in such capacity, and the relevant Fund Service Provider fails to appoint a replacement having similar qualifications to those of the key individual or individuals ceasing to act;

Modification Events:

2.7 a material modification of or deviation from any of the investment objectives, investment restrictions, investment processes or investment guidelines of the Fund (howsoever described, including the underlying type of assets in which the Fund invests) from those set out in the Fund Documents, or any

announcement regarding a potential modification or deviation, except where such modification or deviation is of a formal, minor or technical nature;

- 2.8 a material modification, cancellation or disappearance (howsoever described), or any announcement regarding a potential future material modification, cancellation or disappearance (howsoever described) of the type of assets (i) in which the Fund invests or (ii) the Fund purports to track;
- 2.9 a material modification or any announcement regarding a potential future material modification of the Fund (including, but not limited to, a material modification of the Fund Documents or to the Fund's liquidity terms) other than a modification or event which does not affect the Fund Shares or the Fund or any portfolio of assets to which the Fund Share relates (either alone or in common with other Fund Shares issued by the Fund);
- 2.10 the creation by the Fund of any illiquid share class or unit howsoever described;
- 2.11 the currency denomination of the Fund Shares is amended from that set out in the Fund Documents so that the NAV per Fund Share is no longer calculated in the same currency as it was as at the Trade Date;
- 2.12 if applicable, the Fund ceases to be an undertaking for collective investments under the legislation of its relevant jurisdiction; or
- 2.13 following the issue or creation of a new class or series (howsoever described in the Fund Documents) of shares or units by the Fund, the Calculation Agent determines taking into consideration the potential cross-liability between classes of shares or units (howsoever described in the Fund Documents) that such new class or series has or may have an adverse effect on the hedging activities of the Hedge Provider in relation to the Notes;

NAV per Fund Share/AUM Level Events:

- 2.14 a material modification of the method of calculating the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;
- 2.15 any change in the periodicity of the calculation or the publication of the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;
- 2.16 any suspension of the calculation or publication of the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;
- 2.17 the occurrence of any event affecting a Fund Share that, in the sole and absolute discretion of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the NAV per Fund Share;
- 2.18 any of the Fund, any Fund Service Provider or any other party acting on behalf of the Fund fails for any reason to calculate and publish the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV within the Number of NAV Publication Days following any date scheduled for the determination of the valuation of the Fund Shares unless the cause of such failure to publish is of a technical nature and outside the immediate and direct control of the entity responsible for such publication;
- 2.19 any Fund Service Provider uses asset prices provided by the investment manager (howsoever described in the Fund Documents) to calculate the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV when such asset prices could have been obtained from independent sources and the asset prices from independent sources materially diverge from the asset prices provided by the investment manager (howsoever described in the Fund Documents);
- 2.20 the assets under management of the Fund fall below the AUM Level;
- 2.21 (i) the Calculation Agent determines, at any time, that the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV is inaccurate, or (ii) the reported net asset value of the Fund Shares misrepresents the net asset value of the Fund Shares;

- 2.22 a NAV Trigger Event occurs; or
- 2.23 (i) in the case of a Hedge Fund only, the audited net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV is different from the audited net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV communicated by the relevant Fund Service Provider in respect of the same date, (ii) the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, and/or (iii) the Calculation Agent, in its sole and absolute discretion, does not deem the audited net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV to be representative of the actual net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;

Reporting Events:

- 2.24 any failure of the Fund, or its authorised representative, to deliver or publish, or cause to be delivered or published, (i) information that the Fund has agreed to deliver or publish, or agreed to cause to be delivered or published, to the Calculation Agent or Hedge Provider, or (ii) information that has been previously delivered to the Hedge Provider or the Calculation Agent, as applicable, in accordance with the Fund's, or its authorised representative's, normal practice and that the Hedge Provider deems necessary for it or the Calculation Agent, as applicable, to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the Fund Share; or
- 2.25 any Fund Service Provider fails to provide the Calculation Agent, within a reasonable time, with any information that the Calculation Agent has reasonably requested regarding the investment portfolio or other activities or undertakings of the Fund;

Tax/Law/Accounting/Regulatory Events:

- 2.26 there is a change in or in the official interpretation or administration of any laws or regulations relating to taxation that has or is likely to have a material adverse effect on any hedging arrangements entered into by any Hedge Provider in respect of the Notes (a "**Tax Event**") and, subject as provided below, the Hedge Provider has, for a period of one calendar month following the day the relevant Tax Event became known to it, used reasonable efforts to mitigate the material adverse effect of the Tax Event by seeking to transfer such hedging arrangements to an affiliated company, provided that the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period set out above for such mitigation shall be deemed satisfied on any date it is or becomes apparent at any time that there is no practicable means of mitigating the Tax Event; or
- 2.27
- (i) any relevant activities of or in relation to the Fund or a Fund Service Provider are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, in any applicable jurisdiction (including, but not limited to, any cancellation, suspension or revocation of the registration or approval of the Fund by any governmental, legal or regulatory entity with authority over the Fund);
 - (ii) a relevant authorisation or licence is revoked, lapses or is under review by a competent authority in respect of the Fund or a Fund Service Provider or new conditions are imposed, or existing conditions varied, with respect to any such authorisation or licence;
 - (iii) the Fund is required by a competent authority to redeem any Fund Shares;
 - (iv) the Hedge Provider is required by a competent authority or any other relevant entity to dispose of or compulsorily redeem any Fund Shares held in connection with any hedging arrangements relating to the Notes; and/or
 - (v) any change in the legal, tax, accounting or regulatory treatment of the Fund or any Fund Service Provider that is reasonably likely to have an adverse impact on the value of the Fund

Shares or other activities or undertakings of the Fund or on the rights or remedies of any investor in such Fund Shares, including any Hedge Provider;

Hedging/Impracticality/Increased Costs Events:

- 2.28 in connection with any hedging activities in relation to the Fund Linked Notes, as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, after the Trade Date, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, after such date or as a result of any other relevant event (each a "**Relevant Event**") (i) it would become unlawful or impractical for the Hedge Provider to hold (including, without limitation, circumstances requiring the Hedge Provider to modify any reserve, special deposit or similar requirement or that would adversely affect the amount of regulatory capital that would have to be maintained in respect of any holding of Fund Shares or that would subject a holder of the Fund Shares or the Hedge Provider to any loss), purchase or sell the relevant Fund Shares or any underlying assets of or related to the Fund or for the Hedge Provider to maintain such hedging arrangements and, subject as provided below, the Hedge Provider has, for a period of one calendar week following the day the Relevant Event became known to it, used reasonable efforts to mitigate the effect of the Relevant Event by seeking to transfer such hedging arrangements to an affiliated company, provided that the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period of one calendar week set out above shall be deemed satisfied on any date it is or becomes at any time apparent that there is no practicable means of mitigating the Relevant Event;
- 2.29 in connection with the hedging activities in relation to the Fund Linked Notes, if the cost to the Hedge Provider in relation to the Fund Linked Notes and the related hedging arrangements (including, but not limited to, new or increased taxes, duties, expenses or fees) would be materially increased or the Hedge Provider would be subject to a material loss relating to the Fund Linked Notes and the related hedging arrangements;
- 2.30 in connection with the hedging activities in relation to the Fund Linked Notes, the Hedge Provider is unable or it becomes impractical for the Hedge Provider to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the Issuer's obligations under the Notes; or (ii) realise, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (A) any restrictions or increase in charges or fees imposed by the Fund on any investor's ability to redeem a Fund Share, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Fund Share, or (B) any mandatory redemption, in whole or in part, of such Fund Share; or
- 2.31 at any time on or after the Trade Date, the Issuer or, as the case may be, the Guarantor would incur an increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, capital and/or funding costs, expenses or fees (other than brokerage commissions) to maintain the Fund Linked Notes;

Dealing/Listing Events:

- 2.32
- (i) the non-execution or partial-execution by the Fund for any reason of a subscription or redemption order in respect of any Fund Shares (including, for the avoidance of any doubt, any non-execution by the Fund pending completion of its fiscal audit);
 - (ii) the Fund suspends or refuses transfers of any of its Fund Shares (including, without limitation, if the Fund applies any gating, deferral, suspension or other similar provisions permitting the Fund to delay or refuse redemption or transfer of Fund Shares);
 - (iii) the Fund imposes in whole or in part any restriction (including, without limitation, any redemption in specie), charge or fee in respect of a redemption or subscription of its Fund Shares by the Hedge Provider or exercises its right to claw back the proceeds already paid on redeemed Fund Shares, if in any case it could in the sole and absolute determination of the

Calculation Agent have an adverse impact on the Hedge Provider's rights or obligations in relation to its hedging activities in relation to the Notes;

- (iv) a mandatory redemption, in whole or in part, of the Fund Shares is imposed by the Fund on any one or more holders of Fund Shares at any time for any reason; or
- (v) in the case of an ETF, the relevant Exchange announces that pursuant to the rules of such Exchange, the relevant Fund Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on (i) where the Exchange is located in the United States, any of the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market System (or their respective successors) or otherwise (ii) a comparable exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

Miscellaneous Events:

- 2.33 the occurrence of any Additional Extraordinary Fund Event;
- 2.34 in the case of Fund Linked Notes linked to a Fund Basket, a Basket Trigger Event occurs;
- 2.35 the Fund or any Fund Service Provider defaults under, materially modifies or terminates any rebate agreements in place with the Issuer, the Guarantor, the Hedge Provider or any of its affiliates;
- 2.36 if the Fund is part of an umbrella structure with more than one sub-fund, a cross-contamination or other failure to segregate the portfolio of assets held by the Fund occurs between different series, classes and/or sub-funds; or
- 2.37 any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Calculation Agent is comparable to security over any such assets (including without limitation any repo or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repo, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or terminable early by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider.

References solely in this Fund Security Condition 2 (*Extraordinary Fund Events*) to:

- (i) "**Fund**" shall include the Fund and any funds in which it invests any of its investible assets from time to time;
- (ii) "**Fund Shares**" shall include the Fund Shares and the shares or units in any Fund (as defined in paragraph (i) above); and
- (iii) in the case of a Private Equity Fund only, "**Extraordinary Fund Event**" shall have the meaning given to it in the Applicable Transaction Terms.

3. Determination of Extraordinary Fund Events

The Calculation Agent will determine if an Extraordinary Fund Event has occurred acting in good faith and in a commercially reasonable manner. Where the occurrence of an event or set of circumstances is capable of triggering more than one Extraordinary Fund Event, the Issuer or, as the case may be, the Guarantor may determine which Extraordinary Fund Event is to be triggered, in its sole and absolute discretion.

In considering whether the occurrence of an event or set of circumstances triggers an Extraordinary Fund Event, the Calculation Agent may have regard to the combined effect, from the Trade Date, of any event or set of circumstances, as the case may be, if such event or set of circumstances occurs more than once.

4. **Consequences of an Extraordinary Fund Event**

- 4.1 If the Calculation Agent determines that an Extraordinary Fund Event has occurred, the Issuer or, as the case may be, the Guarantor shall, as soon as reasonably practicable after having been notified of such determination by the Calculation Agent, give notice ("**Extraordinary Fund Event Notice**") to the Holders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable) of the occurrence of such Extraordinary Fund Event (the date on which an Extraordinary Fund Event Notice is given, an "**Extraordinary Fund Event Notification Date**") and set out, if determined at that time, the action that it has determined to take in respect of the Extraordinary Fund Event pursuant to Fund Linked Note Condition 4.2 below. Where the action that the Issuer or, as the case may be, the Guarantor has determined to take is not, for whatever reason, set out in the Extraordinary Fund Event Notice, the action that the Issuer or, as the case may be, the Guarantor has determined to take shall be set out in a subsequent notice given to Holders in accordance with Condition 14 (*Notices*) as soon as reasonably practicable after the Extraordinary Fund Event Notification Date.

For such purposes, an Extraordinary Fund Event shall be considered to be "continuing" if it has not been remedied to the reasonable satisfaction of the Issuer or, as the case may be, the Guarantor.

The Issuer or, as the case may be, the Guarantor shall provide Holders with an Extraordinary Fund Event Notice as soon as reasonably practicable following the determination of an Extraordinary Fund Event. However, neither the Issuer, the Guarantor nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by any Holder or any other person in connection with the Notes as a result of any delay, howsoever arising. If the Issuer or, as the case may be, the Guarantor gives an Extraordinary Fund Event Notice, it shall have no obligation to make any payment or delivery in respect of the Fund Linked Notes until it has determined the action that it has determined to take pursuant to Fund Linked Note Condition 4.2 below.

- 4.2 Following the occurrence of an Extraordinary Fund Event, the Issuer or, as the case may be, the Guarantor in its sole and absolute discretion may take the action described below in (a), (b), (c) or (d).

(a) ***No Action***

If the Issuer or, as the case may be, the Guarantor in its sole and absolute discretion determines that the action to be taken in respect of the Extraordinary Fund Event is to be "**No Action**", then the Fund Linked Notes shall continue and there shall be no amendment to the Terms and Conditions and/or the Applicable Transaction Terms.

(b) ***Adjustment***

If the Issuer or, as the case may be, the Guarantor in its sole and absolute discretion determines that the action to be taken in respect of the Extraordinary Fund Event is to be "**Adjustment**", then the Calculation Agent acting on instructions from the Issuer (or, as the case may be, the Guarantor) may determine, in its sole and absolute discretion, the appropriate adjustment(s), if any, to be made to any of the terms of these Terms and Conditions and/or the Applicable Transaction Terms (including adjusting any Fee) to take account of the economic effect of the Extraordinary Fund Event and determine the effective date of such adjustment.

(c) ***Substitution***

If the Issuer or, as the case may be, the Guarantor in its sole and absolute discretion determines that the action in respect of the Extraordinary Fund Event is to be "**Substitution**", the Calculation Agent shall:

- (i) determine the weighted average price at which a Hypothetical Investor can redeem the Fund Shares in the relevant Fund in such number as determined by the Calculation Agent in its sole and absolute discretion as soon as it is reasonably practicable following the Extraordinary Fund Event;
- (ii) for a period of no longer than 14 calendar days following the date on which a Hypothetical Investor would have received proceeds from a redemption order in full submitted by the Hedge Provider as soon as practicable following the occurrence of an Extraordinary Fund Event, use reasonable efforts to substitute the Fund Shares

with shares, units or other similar interests in an alternative fund which, in the sole and absolute determination of the Calculation Agent, has similar characteristics to the relevant Fund, including, but not limited to, comparable investment objectives, investment restrictions and investment processes and has service providers acceptable to the Calculation Agent; and

- (iii) if no alternative fund can be determined pursuant to sub-paragraph (ii) above, use reasonable efforts to substitute the Fund with an index (or a fund tracking such index) selected by the Calculation Agent in its sole and absolute discretion,

and following any substitution in accordance with sub-paragraph (ii) or (iii) above, the Issuer or, as the case may be, the Guarantor may, in its sole and absolute discretion, require the Calculation Agent to make such determinations and/or adjustments to these Terms and Conditions and/or the Applicable Transaction Terms as it determines to be appropriate to take account of such Substitution.

(d) **Termination**

If the Issuer or, as the case may be, the Guarantor determines that the action to be taken in respect of the Extraordinary Fund Event is to be "**Termination**", on giving notice to Holders in accordance with Condition 14 (*Notices*) (which such notice may be included in the Extraordinary Fund Event Notice in respect of the relevant Extraordinary Fund Event) the outstanding Fund Linked Notes shall be redeemed by payment of the Termination Amount on the Termination Date. Payments will be made in such manner as shall be notified to the Holders in accordance with Condition 14 (*Notices*).

(e) **General**

In determining to take a particular action as a result of an Extraordinary Fund Event, neither the Issuer nor the Guarantor is under any duty to consider the interests of Holders or any other person. In making any determination as to which action to take following the occurrence of an Extraordinary Fund Event, neither the Issuer, the Guarantor nor the Calculation Agent shall be responsible for any loss (including any liability in respect of interest), underperformance or opportunity cost suffered or incurred by Holders or any other person in connection with the Fund Linked Notes as a result of any such determination, howsoever such loss may arise including as a result of any delay in making any payment or delivery in respect of the Fund Linked Notes.

5. **Maturity Date/Automatic Early Redemption Date/Termination Date Extension**

If on the date falling two Business Days prior to the originally designated Maturity Date, Automatic Early Redemption Date or Termination Date, as the case may be, the Hedge Provider has not, after having placed one or more redemption orders in respect of its holding of Fund Shares in accordance with the terms of the relevant Fund Documents, received redemption proceeds in full in respect of such Fund Shares (the "**Redemption Proceeds**"), the Calculation Agent may postpone the Maturity Date, Automatic Early Redemption Date or Termination Date, as the case may be, and notify the Holders thereof in accordance with Condition 14 (*Notices*).

As soon as practicable following receipt by the Hedge Provider of the Redemption Proceeds, the Calculation Agent shall give notice to Holders in accordance with Condition 14 (*Notices*) (such notice the "**Delayed Payment Notice**") and each Fund Linked Note shall be redeemed on the date specified in the Delayed Payment Notice (such date, the "**Postponed Settlement Date**") at its Redemption Amount.

ANNEX 4
ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

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

Where Restructuring is specified in the Applicable Transaction Terms as being an applicable Credit Event and Credit Linked Condition 13 (Credit Event Notice after Restructuring Credit Event) is applicable, there may be more than one Credit Event Determination Date in respect of the same Reference Entity as further described in Credit Linked Condition 13 (Credit Event Notice after Restructuring Credit Event) below. References below to a numbered Condition are to such numbered section of the Conditions and references to a numbered Credit Linked Condition are to such numbered section as set out in these Credit Linked Conditions.

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

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

In the case of Credit Linked Notes for which more than one Reference Entity is specified in the Applicable Transaction Terms, all references to "the Reference Entity" herein shall be construed to refer to the Reference Entity in respect of which the relevant determination falls to be made at any relevant time and all related provisions and determinations will be construed accordingly.

For the avoidance of doubt no Credit Linked Notes will be considered frustrated, or otherwise void or voidable (whether for mistake or otherwise) solely because:

- (a) any relevant Reference Entity does not exist on, or ceases to exist on or following, the Trade Date; and/or
- (b) Obligations, Deliverable Obligations or the Reference Obligation do not exist on, or cease to exist on or following, the Trade Date.

For the avoidance of doubt, the application of any of Credit Linked Condition 5 (*Repudiation/Moratorium Extension*), 6 (*Grace Period Extension*), 7 (*Credit Derivatives Determinations Committee Extension*), 8 (*Maturity Date Extension*) or 10 (*Settlement Suspension*) below shall not preclude the application of any other such Credit Linked Condition either contemporaneously or subsequently and in the event that any such Credit Linked Conditions are inconsistent or the Calculation Agent becomes entitled to exercise a discretion under one or more of such Credit Linked Conditions, the Calculation Agent may elect in its discretion which Credit Linked Condition shall apply and under which Credit Linked Condition or Credit Linked Conditions it shall exercise its discretion.

1. Redemption of Credit Linked Notes

Unless previously redeemed or purchased and cancelled and subject as provided in Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*), Credit Linked Condition 4 (*Physical Settlement*) and Credit Linked Condition 19 (*Early redemption of Reference Obligation Only Notes following a Substitution Event*) as applicable, each principal amount of Credit Linked Notes equal to the Calculation Amount set out in the Applicable Transaction Terms will be redeemed by the Issuer at its relevant Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Transaction Terms in the relevant Specified Currency on the Maturity Date.

2. Auction Settlement

Where Auction Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give notice (such notice an "**Auction Settlement Notice**") to the Noteholders in accordance with Condition 14 (*Notices*), and, subject to (i) any adjustment in accordance with Credit Linked Condition 13 (*Credit Event Notice after Restructuring Credit Event*) and (ii) any prior redemption in accordance with Credit Linked Condition 19 (*Early redemption of Reference Obligation Only Notes following a Substitution Event*), redeem all but not some only of the Notes and pay, in respect of each principal amount of Credit Linked Notes equal to the Calculation Amount set out in the Applicable Transaction Terms, the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.

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

- (a) an Auction Cancellation Date occurs;
- (b) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraph (b) or (c)(ii) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
- (c) a DC Credit Event Question Dismissal occurs; or
- (d) a Credit Event Determination Date was determined pursuant to paragraph (a)(i) of the definition of Credit Event Determination Date or paragraph (a) of the definition of Non-Standard Credit Event Determination Date and no Credit Event Resolution Request Date has occurred on or prior to the date falling three (3) Business Days after such Credit Event Determination Date,

then:

- (A) if Fallback Settlement Method – Cash Settlement is specified as applicable in the Applicable Transaction Terms, the Issuer shall redeem the Notes in accordance with Credit Linked Condition 3 (*Cash Settlement*) below; or
- (B) if Fallback Settlement Method – Physical Delivery is specified as applicable in the Applicable Transaction Terms, the Issuer shall redeem the Notes in accordance with Credit Linked Condition 4 (*Physical Settlement*) below.

If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 2 (Auction Settlement), 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(s) may be less than the Calculation Amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.

3. Cash Settlement

If a Credit Event Determination Date occurs, then where Cash Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms or if Credit Linked Condition 2(A) (*Auction Settlement*) above applies then, subject to any prior redemption in accordance with Credit Linked Condition 19 (*Early redemption of Reference Obligation Only Notes following a Substitution Event*), the Issuer shall give notice (such notice a "**Cash Settlement Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) and redeem all but not some only of the Notes, and pay, in respect of each principal amount of Credit Linked Notes equal to the Calculation Amount set out in the Applicable Transaction Terms, the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.

If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 3 (Cash Settlement), 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(s) may be less than the Calculation Amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.

4. Physical Settlement

If a Credit Event Determination Date occurs, then where Physical Delivery is specified as the applicable Settlement Method in the Applicable Transaction Terms or if Credit Linked Condition 2(B) (*Auction Settlement*) above applies then, subject to any prior redemption in accordance with Credit Linked Condition 19 (*Early redemption of Reference Obligation Only Notes following a Substitution Event*), the Issuer shall, following the receipt of a Calculation Agent Physical Settlement Notice, give notice (such notice a "**Notice of Physical Settlement**") to the Noteholders in accordance with Condition 14 (*Notices*) and redeem all but not some only of the Notes and Deliver in respect of each principal amount of Credit Linked Notes equal to the Calculation Amount the Deliverable Obligations comprising the Asset Amount on the Credit Settlement Date, subject to and in accordance with the Conditions, Credit Linked Condition 21 (*Physical Delivery*) and all other relevant terms of these Credit Linked Conditions.

In the Notice of Physical Settlement, the Issuer shall specify the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver and the Outstanding Principal Balance or Due and Payable Amount, as applicable, or the equivalent amount in the Settlement Currency (in each case the relevant "**Outstanding Amount**") and, if different, the face amount, of each such Deliverable Obligation. The aggregate Outstanding Amount of all Deliverable Obligations specified in the Notice of Physical Settlement that the Issuer intends to Deliver shall be the relevant "**Aggregate Outstanding Amount**". 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.

Asset Package Delivery will apply if an Asset Package Credit Event occurs, unless (i) such Asset Package Credit Event occurs prior to the Credit Event Backstop Date determined in respect of the Credit Event specified in the Credit Event Notice or DC Credit Event Announcement applicable to the Credit Event Determination Date, or (ii) if the Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event. Notwithstanding the foregoing, if "Sovereign No Asset Package Delivery" is specified as applicable in the Applicable Transaction Terms, it shall be deemed that no Package Observable Bond exists with respect to a Reference Entity that is a Sovereign (even if such a Package Observable Bond has been published by ISDA) and accordingly, Asset Package Delivery shall not apply thereto. Where Asset Package Delivery applies, the provisions of paragraph (b) of the definition of "Deliver" below shall apply and the Calculation Agent may make any adjustment in relation to provisions for physical delivery and determination of the Asset Amount that it determines to be necessary or desirable to take account of the relevant Asset Package.

The Issuer may, from time to time, following receipt of a Calculation Agent Physical Settlement Amendment Notice, amend a Notice of Physical Settlement by delivering a notice to Noteholders in accordance with Condition 14 (*Notices*) (each such notification, a "**Physical Settlement Amendment Notice**") that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such Physical Settlement Amendment Notice is effective). A Physical Settlement Amendment Notice shall specify each replacement Deliverable Obligation that the Issuer will (subject to Credit Linked Condition 21 (*Physical Delivery*)) Deliver (each, a "**Replacement Deliverable Obligation**") and shall also specify the Outstanding Amount of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, that is being replaced (with respect to each such Deliverable Obligation, the "**Replaced Deliverable Obligation Outstanding Amount**"). The Outstanding Amount of each Replacement Deliverable Obligation identified in the Physical Settlement Amendment Notice shall be determined by applying the Revised Currency Rate to the relevant Replaced Deliverable Obligation Outstanding Amount. The Outstanding Amount of the Replacement Deliverable Obligation(s) specified in any Physical Settlement Amendment Notice in aggregate with the Outstanding Amount of the Deliverable Obligation(s) specified in the Notice of Physical Settlement or any earlier Physical Settlement Amendment Notice which, in each case, are not being replaced must not be greater than the Aggregate Outstanding Amount. Each such Physical Settlement Amendment Notice must be effective on or prior to the Credit Settlement Date (determined

without reference to any change resulting from such Physical Settlement Amendment Notice). Notwithstanding the foregoing, (i) the Issuer may correct any errors or inconsistencies contained in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, by notice to Noteholders in accordance with Condition 14 (*Notices*) prior to the relevant Delivery Date; and (ii) if Asset Package Delivery is applicable, the Issuer shall, on the PSN Effective Date, or as soon as reasonably practicable thereafter (but in any case, prior to the Delivery Date), notify the Noteholders (in accordance with Condition 14 (*Notices*)) of the detailed description of the Asset Package, if any, that the Issuer will Deliver in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, it being understood in each case that any such notice of correction shall not constitute a Physical Settlement Amendment Notice.

If "Mod R" is specified as applicable in the Applicable Transaction Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then, unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date in each case as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements.

If "Mod Mod R" is specified as applicable in the Applicable Transaction Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, 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, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements. For the purposes of this paragraph only and notwithstanding the foregoing, in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 4 (Physical Settlement), upon Delivery of the Deliverable Obligations Deliverable and/or payment of the Partial Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Partial Cash Settlement Amount, as the case may be, may be less than the Calculation Amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.

5. Repudiation/Moratorium Extension

If "Repudiation/Moratorium" is specified as a Credit Event in the Applicable Transaction Terms, the provisions of this Credit Linked Condition 5 (*Repudiation/Moratorium Extension*) shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or, if Credit Linked Condition 8(y) (*Maturity Date Extension*) applies, the Postponed Cut-Off Date (as defined in Credit Linked Condition 8 (*Maturity Date Extension*)) and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation/Moratorium may, in the sole determination of the Calculation Agent, fall after the Scheduled Maturity Date, then the Calculation Agent shall notify the Noteholders in accordance with Condition 14 (*Notices*) 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 principal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth (5th) Business Day following the Repudiation/Moratorium Evaluation Date; and

- (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth (5th) Business Day following the 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; or
- (ii) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Credit Linked Notes.

6. Grace Period Extension

If "Grace Period Extension" is specified as applicable in the Applicable Transaction Terms, the provisions of this Credit Linked Condition 6 (*Grace Period Extension*) shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date but, in the determination of the Calculation Agent, a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then the Calculation Agent shall notify the Noteholders in accordance with Condition 14 (*Notices*) that a Potential Failure to Pay has occurred and:

- (i) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
 - (A) each principal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth (5th) Business Day following the Grace Period Extension Date; and
 - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth (5th) Business Day following the 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; or
- (ii) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Credit Linked Notes.

7. Credit Derivatives Determinations Committee Extension

If, in the determination of the Calculation Agent, a Credit Event Resolution Request Date or a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Maturity Date, the Calculation Agent shall notify Noteholders in accordance with Condition 14 (*Notices*) that the Maturity Date has been postponed to a date (the "**DC Determination Postponement Date**") being the day falling five (5) Business Days after: (i) if the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred, fifteen (15) Business Days following the relevant DC Credit Event Announcement; (ii) if the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred, the second (2nd) Business Day following the relevant DC No Credit Event Announcement; or, as applicable, (iii) fifteen (15) Business Days following the DC Credit Event Question Dismissal (the date of the relevant DC Credit Event Announcement, DC No Credit Event Announcement or DC Credit Event Dismissal, as applicable, the "**DC Determination Cut-off Date**") and:

- (i) where a Credit Event has not occurred on or prior to the DC Determination Cut-off Date:
 - (A) each principal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the DC Determination Postponement Date; and
 - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or if none the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the DC Determination Postponement Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii) where a Credit Event has occurred on or prior to the DC Determination Cut-off Date and a Credit Event Determination Date occurs, the provisions of Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Credit Linked Notes.

8. Maturity Date Extension

For the avoidance of doubt, the following provisions may be applied on more than one occasion:

Without prejudice to Credit Linked Condition 10 (*Settlement Suspension*), if:

- (x) on or prior to (A) the Scheduled Maturity Date, (B), if applicable, the Repudiation/Moratorium Evaluation Date, (C) if Grace Period Extension is specified as applying in the Applicable Transaction Terms, the Grace Period Extension Date, (D) the last day of the Notice Delivery Period or (E) if applicable, the DC Determination Cut-off Date, as the case may be, a Credit Event Determination Date has not occurred but, in the determination of the Calculation Agent, a Credit Event or Potential Credit Event may have occurred or may occur; or
- (y) on or prior to the Scheduled Maturity Date, in the determination of the Calculation Agent, a Potential Repudiation/Moratorium may have occurred or may occur,

the Calculation Agent may at its option notify the Noteholders in accordance with Condition 14 (*Notices*) that (A) in the case of (x) above, the redemption of the Notes has been postponed and the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date, the last day of the Notice Delivery Period (which for these purposes shall apply in the case of both (x)(A) and (x)(D) above) or the DC Determination Cut-off Date, as the case may be, has been postponed to the Postponed Cut-Off Date or (B) in the case of (y) above, the redemption of the Notes has been postponed; and

where:

- (i) in the case of Credit Linked Condition 8(x), a Credit Event Determination Date has not occurred on or prior to the Postponed Cut-Off Date or, in the case of Credit Linked Condition 8(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Cut-Off Date:
 - (A) subject as provided below, each principal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the Postponed Maturity Date; and
 - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the 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 Credit Linked Condition 8(x), a Credit Event Determination Date occurs on or prior to the Postponed Cut-Off Date, the provisions of Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Credit Linked Notes; or
 - (B) in the case of Credit Linked Condition 8(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Cut-Off Date, the provisions of Credit Linked Condition 5 (*Repudiation/Moratorium Extension*) shall apply to the Credit Linked Notes.

For the purposes hereof:

"Postponed Cut-off Date" means (i) in the case of Credit Linked Condition 8(x), the fifteenth (15th) Business Day after the Scheduled Maturity Date, the relevant Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date, the last day of the Notice Delivery Period or the DC Determination Cut-off Date, as the case may be; or (ii) in the case of Credit Linked Condition 8(y), the fifteenth (15th) Business Day after the Scheduled Maturity Date or, in each case, if such day is not a Business Day the immediately succeeding Business Day.

"Postponed Maturity Date" means the fifth (5th) Business Day following the Postponed Cut-off Date.

9. Partial Cash Settlement

If all or a portion of the Obligations comprising the Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations that have not been Delivered by the Final Delivery Date, the Issuer shall give notice (a **"Partial Cash Settlement Notice"**) to the Noteholders in accordance with Condition 14 (*Notices*) and the Issuer shall pay in respect of each Undeliverable Obligation and/or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

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

For the purposes of this Credit Linked Condition 9 (*Partial Cash Settlement*) only the following terms shall be defined as follows (unless otherwise specified in the applicable Pricing Supplement):

"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 (3) 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 (1) such Full Quotations have the same highest or lowest value, then one (1) of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three (3) Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one (1) such Full Quotations have the same highest value or lowest value, then one (1) of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two (2) Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two (2) Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the Applicable Transaction Terms and exactly three (3) Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one (1) such Indicative Quotations have the same highest or lowest value, then one (1) of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two (2) Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than

three (3) Indicative Quotations are obtained) then, subject to paragraph (b) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two (2) Full Quotations or a Weighted Average Quotation or, if applicable, three (3) Indicative Quotations are obtained; and (vii) if fewer than two (2) Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three (3) Indicative Quotations are obtained) on the same Business Day on or prior to the tenth (10th) Business Day following the Valuation Date, the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth (10th) Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth (10th) Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

"Partial Cash Settlement Amount" is deemed to be, for an Undeliverable Obligation or a 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, determined as provided in this Credit Linked Condition, less (C) Unwind Costs, if any, (but excluding any Unwind Costs already taken into account in calculating the relevant Asset Amount), and (ii) zero, Provided That where (i) a relevant Undeliverable Obligation or Hedge Disruption Obligation forms part of the Asset Package and (ii) the Calculation Agent determines in its sole discretion that a Final Price cannot be reasonably determined in respect of such Undeliverable Obligation or Hedge Disruption Obligation, then the Partial Cash Settlement Amount (i) shall be an amount calculated by the Calculation Agent in its sole discretion equal to the fair market value of the relevant Undeliverable Obligation or Hedge Disruption Obligation less Unwind Costs, if any, (but excluding any Unwind Costs already taken into account in calculating the relevant Asset Amount), by reference to such source(s) as it determines appropriate and (ii) may be zero.

"Partial Cash Settlement Date" is deemed to be the date falling three (3) Business Days after (a) the date on which the Calculation Agent determines that the provisions of this Credit Linked Condition apply to the relevant Undeliverable Obligation or Hedge Disruption Obligation or, if later, (b) the calculation of the Final Price.

"Quotation" means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the Applicable Transaction Terms, each Indicative Quotation obtained and expressed as a percentage of the Outstanding Principal Balance or Due and Payable Amount, as applicable, of the relevant Undeliverable Obligation or Hedge Disruption Obligation 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 (5) or more Quotation Dealers. If the Calculation Agent is unable to obtain two (2) or more such Full Quotations on the same Business Day within three (3) Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth (10th) Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five (5) or more Quotation Dealers, and, if two (2) or more Full Quotations are not available, a Weighted Average Quotation. If two (2) or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the Applicable Transaction Terms, the Calculation Agent shall attempt to obtain three (3) Indicative Quotations from five (5) or more Quotation Dealers.
- (b) If the Calculation Agent is unable to obtain two (2) or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the Applicable Transaction Terms, three (3) Indicative Quotations) on the same Business Day on or prior to the tenth (10th) 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 (10th) Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the

Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth (10th) Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

- (c) All Quotations shall be obtained in accordance with the specification or determination made pursuant to the definition of Accrued Interest in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) below.

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

"Quotation Method" is deemed to be Bid.

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

"Valuation Method" is deemed to be Highest unless fewer than two (2) Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case "Valuation Method" is deemed to be Market.

"Valuation Time" is the time specified as such in the Applicable Transaction Terms, or, if no such time is 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 or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount that in aggregate is approximately equal to the Quotation Amount.

10. Settlement Suspension

- (a) Suspension

Without prejudice to Credit Linked Condition 8 (*Maturity Date Extension*) above, if, following determination of a Credit Event Determination Date but prior to the Credit Settlement Date or, to the extent applicable, a Valuation Date, there is a DC Credit Event Meeting Announcement, the Calculation Agent may, at its option, determine that the applicable timing requirements of these Credit Linked Conditions, including, without limitation, in respect of Credit Linked Condition 2 (*Auction Settlement*), the definitions of Interest Payment Date, Credit Event Redemption Date, Valuation Date, Physical Settlement Period and PSN Cut-off Date and any other Credit Linked Condition provision(s) as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a **"Suspension Period"**) until the date of the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal. During such suspension period none of the Issuer, the Calculation Agent or any Noteholder are obliged to, nor are they entitled to, take any action in connection with the settlement of the Notes. Once the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal has occurred, the relevant timing requirements of these Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary with the Issuer having the benefit of the full day notwithstanding when the tolling or suspension began in accordance with this Credit Linked Condition 10.

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

to account for or reflect such suspension and (y) determine the effective date of such adjustment(s) or determination(s).

(b) Interest

In the case of interest bearing Notes:

- (i) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (ii) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first (1st) Business Day and no later than the fifth (5th) Business Day following the end of the Suspension Period, all subject to the provisions of Condition 5 (*Interest Provisions*) and Credit Linked Conditions 5 (*Repudiation/Moratorium Extension*), 6 (*Grace Period Extension*), 7 (*Credit Derivatives Determinations Committee Extension*) and 8 (*Maturity Date Extension*).

11. Redemption Following a Merger Event

If "Merger Event" is specified as applying in the Applicable Transaction Terms, in the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with Condition 14 (*Notices*) and redeem all but not some only of the Notes and pay in respect of each principal amount of the Notes equal to the Calculation Amount the Merger Event Redemption Amount on the Merger Event Redemption Date.

12. Definitions applicable to Credit Linked Notes

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

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

"**Accrued Interest**" means for the purpose of these Credit Linked Conditions:

- (a) in respect of any Notes for which "Physical Delivery" is specified to be the Settlement Method in the Applicable Transaction Terms (or for which Physical Delivery is applicable as the Fallback Settlement Method in accordance with Credit Linked Condition 2 (*Auction Settlement*)), the Outstanding Principal Balance of the Deliverable Obligations being Delivered will exclude accrued but unpaid interest, unless "Include Accrued Interest" is specified in the Applicable Transaction Terms, in which case, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will include accrued but unpaid interest (as the Calculation Agent shall determine in its reasonable discretion);
- (b) in respect of any Notes for which "Cash Settlement" is specified to be the applicable Settlement Method in the Applicable Transaction Terms (or for which Cash Settlement is applicable as the Fallback Settlement Method in accordance with Credit Linked Condition 2 (*Auction Settlement*)), and:
 - (i) "Include Accrued Interest" is specified in the Applicable Transaction Terms, the Outstanding Principal Balance of the Reference Obligation shall include accrued but unpaid interest;
 - (ii) "Exclude Accrued Interest" is specified in the Applicable Transaction Terms, the Outstanding Principal Balance of the Reference Obligation shall not include accrued but unpaid interest; or
 - (iii) neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the Applicable Transaction Terms, the Calculation Agent shall determine, based on the then current market practice in the market of the Reference Obligation whether the Outstanding Principal Balance of the Reference Obligation shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof; or

- (c) if Credit Linked Condition 9 (*Partial Cash Settlement*) applies, the Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligation (as applicable), whether such Quotations shall include or exclude accrued but unpaid interest.

"Asset" means each obligation, equity, amount of cash, security, fee (including any "early-bird" or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the Reference Entity or a third party (or any value which was realised or capable of being realised in circumstances where the right and/or other asset no longer exists).

"Asset Amount" means, subject to the provisions of Credit Linked Condition 21 (*Physical Delivery*), in respect of each principal amount of Credit Linked Notes equal to the Calculation Amount, Deliverable Obligations, as selected by the Calculation Agent, with:

- (a) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance; or
- (b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

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

"Asset Market Value" means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee.

"Asset Package" means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event (which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered a choice of Assets or a choice of combinations of Assets, the Asset Package will be the Largest Asset Package. If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero.

"Asset Package Credit Event" means:

- (a) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the Applicable Transaction Terms:
- (i) a Governmental Intervention; or
- (ii) a Restructuring in respect of the Reference Obligation, if "Restructuring" is specified as applicable in the Applicable Transaction Terms and such Restructuring does not constitute a Governmental Intervention; and
- (b) if the Reference Entity is a Sovereign and "Restructuring" is specified as applicable in the Applicable Transaction Terms, a Restructuring,

in each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.

"Asset Transfer Notice" means a duly completed asset transfer notice, the form of which may be obtained in the manner described in Credit Linked Condition 21 (*Physical Delivery*) below.

"Associated Costs" means an amount per principal amount of the Notes equal to the Calculation Amount equal to such Notes' *pro rata* share of the total amount of any and all costs associated or incurred by the Issuer, any Affiliate and/or Hedging Party (each as defined below) in connection with such early redemption, including, without limitation, any costs associated with unwinding, substituting,

re-establishing and/or incurring any funding relating to the Notes and/or any costs associated with unwinding, substituting, re-establishing and/or incurring any Hedging Arrangements, all as determined by the Calculation Agent.

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

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

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

"Auction Final Price" means the lesser of (i) one hundred per cent. (100%) and (ii) the Auction Final Price as shall be set forth or referred to in the relevant Transaction Auction Settlement Terms.

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

"Auction Settlement Date" shall mean the date that is the number of Business Days as shall be specified in the relevant Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, three (3) Business Days) immediately following the Auction Final Price Determination Date.

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

"Bankruptcy" means the 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, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty (30) calendar days of the institution or presentation thereof or before the Scheduled Maturity Date, whichever is earlier;
- (e) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter or before the Scheduled Maturity Date, whichever is earlier; or

- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in paragraphs (a) to (g) above.

"Business Day" means, for the purposes of this Annex only, a day which is a day on which commercial banks and foreign exchange markets are generally open to settle payments (including dealing in foreign exchange and foreign currency deposits) in the jurisdiction of the Credit Linked Specified Currency specified in the Applicable Transaction Terms, and, in respect of the Delivery of any Deliverable Obligations, shall include any day in any jurisdiction on which banks and/or clearance systems must be open in order to effect settlement of such Delivery.

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

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

If no Business Day Convention is specified in the Applicable Transaction Terms, the Following Business Day Convention shall apply.

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

"Calculation Agent Physical Settlement Amendment Notice" means a notice by the Calculation Agent to the Issuer containing material information required to be included in a Physical Settlement Amendment Notice to be given by the Issuer.

"Calculation Agent Physical Settlement Notice" means a notice from the Calculation Agent to the Issuer containing material information required to be included in a Notice of Physical Settlement to be given by the Issuer.

"Cash Settlement Notice" has the meaning given to that term in Credit Linked Condition 3 (*Cash Settlement*).

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

"Conditionally Transferable Obligation" means a Deliverable Obligation 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, in each case as of each such date the Calculation Agent determines appropriate for purposes of the Hedging Arrangements 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 the 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".

"Conforming Reference Obligation" means a Reference Obligation which is a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation below.

"Credit Derivatives Auction Settlement Terms" means any Credit Derivatives Auction Settlement Terms published by ISDA, a form of which will be published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and may be amended from time to time.

"Credit Derivatives Determinations Committee" means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions in connection with credit derivative transactions.

"Credit Event" means the occurrence of any one or more of the Credit Events specified in the Applicable Transaction Terms which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring or Governmental Intervention, or any additional Credit Event specified in the applicable Pricing Supplement.

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

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

"Credit Event Backstop Date" means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to a Repudiation/Moratorium, if applicable, the event described in paragraph (b) of the definition of Repudiation/Moratorium) for the purposes of the relevant Notes, as determined by DC Resolution, the date that is sixty (60) calendar days prior to the Credit Event Resolution Request Date; or
- (b) otherwise, the date that is sixty (60) calendar days prior to the earlier of:
 - (i) if the Notice Delivery Date occurs during the Notice Delivery Period, the Notice Delivery Date; and
 - (ii) if the Notice Delivery Date occurs during the Post Dismissal Additional Period, the Credit Event Resolution Request Date.

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

"Credit Event Determination Date" means, with respect to a Credit Event with respect to which:

- (a) Auction Settlement is the applicable Settlement Method:
 - (i) subject to paragraph (a)(ii) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (A) a DC Credit Event Announcement has

occurred nor (B) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or

(ii) notwithstanding paragraph (a)(i) of this definition, the Credit Event Resolution Request Date, if a DC Credit Event Announcement has occurred, the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) and either:

- (A) (I) the Credit Event is not an M(M)R Restructuring; and
- (II) the Trade Date occurs on or prior to a DC Announcement Coverage Cut-off Date; or
- (B) (I) the Credit Event is an M(M)R Restructuring; and
- (II) a Credit Event Notice is delivered on or prior to the Exercise Cut-off Date,

provided that no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, or the Calculation Agent otherwise determines this is consistent with the Hedging Arrangements; and

(b) paragraph (a) of this definition does not apply, the Non-Standard Credit Event Determination Date,

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

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such adjustment(s) to these Credit Linked Conditions (including any adjustment to payment amounts) as may be required to reflect (I) such deemed date of occurrence or (II) such deemed non-occurrence, achieve as far as practicable the same economic position of Securityholders as would have prevailed had a Credit Event Determination Date occurred on such deemed date of occurrence of such Credit Event Determination Date and (2) the effective date of such adjustment(s). For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any adjustment to payment amounts.

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

Any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

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 14 (Notices).

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

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

where:

"A" is the Calculation Amount;

"B" is the Final Price or the Auction Final Price, as applicable; and

"C" is Unwind Costs,

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

"Credit Event Redemption Date" means, subject to Credit Linked Condition 10 (*Settlement Suspension*), the day falling the number of Business Days specified in the Applicable Transaction Terms (or, if a number of Business Days is not so specified, five (5) Business Days) following the latest of (i) the Auction Settlement Date or the calculation of the Final Price (if Cash Settlement applies or is applicable as the Fallback Settlement Method), (ii) the Credit Event Determination Date and (iii) the date when the Credit Event Notice is delivered.

"Credit Event Resolution Request Date" means, with respect to a DC Credit Event Question, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

"Credit Settlement Date" means, subject to the provisions of Credit Linked Condition 21 (*Physical Delivery*), in relation to any Deliverable Obligation, the last day of the longest Physical Settlement Period following the relevant PSN Cut-off Date (the **"Scheduled Credit Settlement Date"**) provided that:

- (a) if a Hedge Disruption Event has occurred and is continuing on the second (2nd) Business Day immediately preceding the Scheduled Credit Settlement Date, the Credit Settlement Date shall be the earlier of (i) the second (2nd) Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling sixty (60) Business Days following the Scheduled Credit Settlement Date; or
- (b) if such day is not a Relevant Clearance Business Day, the immediately following Relevant Clearance Business Day.

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

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

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

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

"DC Announcement Coverage Cut-off Date" means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date or the date that is fourteen (14) calendar days following the No Auction Announcement Date, if any, as applicable.

"DC Credit Event Announcement" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date, provided that if the Credit Event occurred after the Scheduled Maturity Date the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

"DC Credit Event Meeting Announcement" means, with respect to the Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.

"DC Credit Event Question" means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event has occurred.

"DC Credit Event Question Dismissal" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.

"DC Determination Cut-off Date" has the meaning given to that term in Credit Linked Condition 7 (*Credit Derivatives Determinations Committee Extension*).

"DC Determination Postponement Date" has the meaning given to that term in Credit Linked Condition 7 (*Credit Derivatives Determinations Committee Extension*).

"DC No Credit Event Announcement" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event.

"DC Resolution" has the meaning given to that term in the DC Rules.

"DC Rules" means the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof.

"DC Secretary" has the meaning given to that term in the DC Rules.

"Default Requirement" means the amount specified as such in the Applicable Transaction Terms or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency or, if no such amount is specified in the Applicable Transaction 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:

- (a) to deliver, novate, transfer (including, in the case of a Guarantee, transfer of the benefit of the 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 (or, with respect to Deliverable Obligations where only equitable title is customarily conveyed, all

equitable title) and interest in the Asset Amount to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (excluding any liens routinely imposed on all securities in a relevant clearance system, but including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in paragraphs (a) to (d) in the definition of "Credit Event" above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor) provided that (i) if all or a portion of the 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 (ii) if a Deliverable Obligation is a Guarantee, "Deliver" means to Deliver both the Underlying Obligation and the Guarantee, provided further that if the Guarantee has a Fixed Cap, "Deliver" means to Deliver the Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap. "**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.

- (b) If Asset Package Delivery applies (i) Delivery of a Prior Deliverable Obligation or a Package Observable Bond specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, may be satisfied by Delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds immediately prior to the Asset Package Credit Event, (ii) paragraph (a) above shall be deemed to apply to each Asset in the Asset Package provided that if any such Asset is not a Bond, it shall be treated as if it were a Loan for these purposes, (iii) if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been Delivered in full three (3) Business Days following the date on which the Issuer has notified the Noteholders in accordance with Credit Linked Condition 4 (*Physical Settlement*) of the detailed description of the Asset Package that it intends to Deliver, (iv) the Issuer may satisfy its obligation to make Delivery of the Prior Deliverable Obligation or Package Observable Bond in part by Delivery of each Asset in the Asset Package in the correct proportion and (v) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value and the term "Asset Package" shall be construed accordingly.

"**Deliverable Obligation**" means:

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in "(A) Method for Determining Deliverable Obligations" below;
- (b) the Reference Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Deliverable Obligation; and
- (d) if Asset Package Delivery is applicable, (i) if Financial Reference Entity Terms is specified as applicable in the Applicable Transaction Terms, any Prior Deliverable Obligation, or (ii) if the Reference Entity is a Sovereign, any Package Observable Bond,

in each case, (i) unless it is an Excluded Deliverable Obligation and (ii) provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of paragraph (d) above, immediately prior to the relevant Asset Package Credit Event).

- (i) *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 the Reference Entity described by the Deliverable Obligation Category specified in the Applicable Transaction Terms, and, subject to paragraph (ii) below, having each of the Deliverable Obligation Characteristics, if any, specified in the Applicable Transaction Terms, in each case, as of each such date the Calculation Agent determines relevant for purposes of the Hedging Arrangements. The following terms shall have the following meanings:

- (A) **"Deliverable Obligation Category"** means one of Payment, Borrowed Money, Reference Obligation 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 Obligation Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligation Only).
- (B) **"Deliverable Obligation Characteristics"** means any one or more of Not Subordinated, Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, where:
- (1) **"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 the Reference Entity is guaranteeing such Loan) or any agent;
 - (2) **"Consent Required Loan"** means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such loan) or any agent;
 - (3) **"Direct Loan Participation"** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer or the Guarantor, as the case may be (to the extent that the Issuer or the Guarantor, as applicable, is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
 - (4) **"Transferable"** means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
 - (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation);
 - (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or
 - (c) restrictions in respect of blocked periods on or around payment dates or voting periods;
 - (5) **"Maximum Maturity"** means an obligation that has a remaining maturity of not greater than the period specified in the Applicable Transaction Terms (or, if no such period is specified, thirty (30) years);

- (6) **"Accelerated or Matured"** means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is 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
 - (7) **"Not Bearer"** means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, International or any other internationally recognised clearing system.
- (ii) *Interpretation of Provisions.*
 - (A) If either of the Obligation Characteristics "Listed" or "Not Domestic Issuance" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds.
 - (B) If: (i) either of the Deliverable Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans; or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans.
 - (C) If more than one of "Assignable Loan", "Consent Required Loan" and "Direct Loan Participation" are specified as Deliverable Obligation Characteristics in the Applicable Transaction Terms, 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.
 - (D) If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply:
 - (1) for purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation;
 - (2) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics, if any, specified in the Applicable Transaction Terms from the following list: "Not Subordinated", "Credit Linked Specified Currency", "Not Sovereign Lender", "Not Domestic Currency" and "Not Domestic Law";
 - (3) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Applicable Transaction Terms from the following list:

"Listed", "Not Domestic Issuance", "Assignable Loan", "Consent Required Loan", "Direct Loan Participation", "Transferable", "Maximum Maturity", "Accelerated or Matured" and "Not Bearer"; and

- (4) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (E) For purposes of the application of the Deliverable Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero.
- (F) If "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the Applicable Transaction Terms, if an obligation would otherwise satisfy a particular Obligation Characteristic or Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention shall not cause such obligation to fail to satisfy such Obligation Characteristic or Deliverable Obligation Characteristic.
- (G) For purposes of determining the applicability of Deliverable Obligation Characteristics and the requirements specified in the paragraphs commencing "If "Mod R" ..." and "If "Mod Mod R" ..." in Credit Linked Condition 4 (Physical Settlement) to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event.
- (H) If "Subordinated European Insurance Terms" is specified as applicable in the Applicable Transaction Terms, if an obligation would otherwise satisfy the "Maximum Maturity" Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

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

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

"Delivery Date" means, with respect to a Deliverable Obligation or an Asset Package, the date such Deliverable Obligation is Delivered (or deemed to be Delivered pursuant to the definition of "Deliver" above).

"Domestic Currency" means the currency specified as such in the Applicable Transaction Terms and any successor currency thereto (or, if no such currency is specified, the lawful currency and any successor currency of (a) the Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign).

"Domestic Law" means each of the laws of (a) the Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if such Reference Entity is not a Sovereign.

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than fifty per cent. (50%) owned, directly or indirectly, by the Reference Entity. As used herein, **"Voting Shares"** shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"Due and Payable Amount" means the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either (A) the relevant PSN Effective Date (or, if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (B) the relevant Valuation Date, as applicable.

"Eligible Information" means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

"Eligible Transferee" means:

- (a) Any:
 - (i) bank or other financial institution;
 - (ii) insurance or reinsurance company;
 - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity described in sub-paragraph (c)(i) below); and
 - (iv) 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 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 (A) has total assets of at least U.S.\$100 million or (B) is one of a group of investment vehicles under common control or management having, in 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-paragraph (a), (b), (c)(ii) or (d); or
- (d) any Sovereign; or
- (e) any entity or organisation established by treaty or other arrangement between two (2) or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

All references in this definition to U.S.\$ include equivalent amounts in other currencies in each case as determined by the Calculation Agent.

"Excluded Deliverable Obligation" means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the Applicable Transaction Terms;
- (b) any principal only component of a Bond from which some or all of the interest components have been stripped; and

- (c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

"Excluded Obligation" means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the Applicable Transaction Terms;
- (b) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Transaction Terms and (i) the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (ii) there is no Reference Obligation or Prior Reference Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and
- (c) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Transaction Terms and the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

"Exercise Cut-off Date" means either:

- (a) with respect to an M(M)R Restructuring and any Note to which paragraph (a) of the definition of Credit Event Determination Date above applies:
 - (i) if the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five (5) Relevant City Business Days following the date on which such Final List is published; or
 - (ii) otherwise, the date that is fourteen (14) calendar days following the relevant No Auction Announcement Date; or
- (b) with respect to a Credit Event where paragraph (a) of the definition of Credit Event Determination Date does not apply, the relevant Non-Standard Exercise Cut-off Date,

or, in each case, such other date as the relevant Credit Derivatives Determinations Committee Resolves.

"Extension Date" means the latest of:

- (a) the Scheduled Maturity Date;
- (b) the Grace Period Extension Date if (i) "Failure to Pay" and "Grace Period Extension" are specified as applying in the Applicable Transaction Terms and (ii) the Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Scheduled Maturity Date; and
- (c) the Repudiation/Moratorium Evaluation Date (if any) if "Repudiation/Moratorium" is specified as applicable in the Applicable Transaction Terms, as applicable.

"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 the 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 provided that, if an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest, principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination.

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

"Final Delivery Date" has the meaning given to that term in Credit Linked Condition 21 (*Physical Delivery*).

"Final List" has the meaning given in the DC Rules.

"Final Price" means the price of the relevant Reference Obligation(s), as the case may be, expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable, which shall be the lesser of (a) one hundred per cent. (100%) and (b) the price determined in accordance with the Valuation Method specified in the Applicable Transaction Terms or, where applicable, Credit Linked Condition 9 (*Partial Cash Settlement*). The Calculation Agent shall, as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the Principal Paying Agent (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.

"Fixed Cap" means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and, for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

"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 or Due and Payable Amount 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, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements. 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 "Fully Transferable Obligation".

"Further Subordinated Obligation" means, in respect of a Reference Entity, if the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

"Governmental Authority" means:

- (a) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);
- (b) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (c) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or some or all of its obligations; or
- (d) any other authority which is analogous to any of the entities specified in paragraphs (a) to (c) above.

"Governmental Intervention" means that, 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 as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation),

in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (a) any event which would affect creditors' rights so as to cause:
 - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
 - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
 - (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest, or (B) the payment of principal or premium; or
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (c) a mandatory cancellation, conversion or exchange; or
- (d) any event which has an analogous effect to any of the events specified in paragraphs (a) to (c).

For purposes of this definition of Governmental Intervention, the term "Obligation" shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.

"Grace Period" means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under and in accordance with the terms of the relevant Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if "Grace Period Extension" is specified as applying in the Applicable Transaction Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period will be deemed to be the lesser of such grace period and the period specified as such in the Applicable Transaction Terms or, if no period is specified in the Applicable Transaction Terms, thirty (30) calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three (3) Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three (3) Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the Applicable Transaction Terms, such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

"Grace Period Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified (a) if the Obligation Currency is the euro, a day on which the TARGET2 System is open, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

"Grace Period Extension Date" means, if:

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

the date falling the number of days in the Grace Period after the date of such Potential Failure to Pay. If "Grace Period Extension" is not specified as applicable in the Applicable Transaction Terms, Grace Period Extension shall not apply.

"Guarantee" means a Relevant Guarantee or a guarantee which is the Reference Obligation.

"Hedge Disruption Event" means in the opinion of the Calculation Agent any event (including, without limitation, any delay in settlement of any Auction) as a result of which the Issuer and/or any of its Affiliates cannot (a) obtain the relevant Deliverable Obligation(s) under the terms of the Issuer's Hedging Arrangements and/or (b) maintain, adjust, enter into or exercise rights under its Hedging Arrangements in each case in such a manner as is necessary to meet its obligations in full as these fall due solely with amounts or assets which it is entitled to receive under the Hedging Arrangements on the relevant due date(s) therefor.

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

"Hedging Arrangements" means any underlying or related transaction(s), asset(s) or trading position(s) or arrangements the Issuer and/or any of its Affiliates or agents may enter into or hold from time to time (including, if applicable, on a portfolio basis) to hedge directly or indirectly and whether in whole or in part the credit or other price risk or funding of the Issuer issuing and performing its obligations with respect to the Credit Linked Notes.

"Hedging Party" means the Issuer and/or any Affiliate and/or any other party which conducts Hedging Arrangements.

"Intervening Period" means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising an Asset Amount (including, for the avoidance of doubt, any Deliverable Obligations).

"ISDA" means the International Swaps and Derivatives Association, Inc.

"Largest Asset Package" means, in respect of a Prior Deliverable Obligation or a Package Observable Bond, as the case may be, the package of Assets for which the greatest amount of principal of such Prior Deliverable Obligation or Package Observable Bond has been or will be exchanged or converted (including by way of amendment), as determined by the Calculation Agent by reference to Eligible Information. If this cannot be determined, the Largest Asset Package will be the package of Assets with the highest immediately realisable value, determined by the Calculation Agent in accordance with the methodology, if any, determined by the relevant Credit Derivatives Determinations Committee.

"Latest Maturity Restructured Bond or Loan" has the meaning given to that term in the definition of "Restructuring Maturity Limitation Date".

"Limitation Date" means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the **"2.5-year Limitation Date"**), 5 years, 7.5 years, 10 years (the **"10-year Limitation Date"**), 12.5 years, 15 years or 20 years, as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention.

"London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"M(M)R Restructuring" means a Restructuring Credit Event in respect of which either "Mod R" or "Mod Mod R" is specified as applicable in the Applicable Transaction Terms.

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

- (a) if more than three (3) 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 (1) such Full Quotations have the same highest value or lowest value, then one (1) of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three (3) Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one (1) such Full

Quotations have the same highest value or lowest value, then one (1) of such highest or lowest Full Quotations shall be disregarded);

- (c) if exactly two (2) Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two (2) Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two (2) Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount the Calculation Agent shall determine on the next Business Day on which two (2) or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two (2) or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth (10th) 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 (10th) 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 (10th) Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations 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 Maturity Date, either (a) the Issuer, the Guarantor or a Reference Entity (any such entity, the **"Mergor"**) consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to (i) where the Mergor is the Issuer or the Guarantor, a Reference Entity or (ii) where the Mergor is a Reference Entity, the Issuer or the Guarantor, or (b) (i) the Issuer or the Guarantor and (ii) a Reference Entity become Affiliates.

"Minimum Quotation Amount" means the amount specified as such in the Applicable Transaction Terms (or its equivalent in the relevant Obligation Currency) or, if no such 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 or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date.

Subject to the foregoing, if the Scheduled Maturity Date is later than the 10-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

In connection with the above, the final maturity date shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

"Movement Option" means, with respect to an M(M)R Restructuring for which a No Auction Announcement Date has occurred pursuant to paragraph (b) or (c)(ii) of the definition of No Auction Announcement Date, the option of the Issuer to apply to the Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that could apply in respect of the Reference Transaction (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the Notes will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, such event will be notified to Noteholders in accordance with Condition 14 (*Notices*).

"Movement Option Cut-off Date" means the date that is one (1) Relevant City Business Day following the Exercise Cut-off Date, or such other date as the relevant Credit Derivatives Determinations Committee has Resolved.

"Next Currency Fixing Time" means 4:00 p.m. (London time) on the London Business Day immediately following the date on which the Notice of Physical Settlement or relevant Physical Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is effective.

"No Auction Announcement Date" means, with respect to a Credit Event, the date the DC Secretary first publicly announces that:

- (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published;
- (b) following the occurrence of an M(M)R Restructuring, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published; or
- (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by the DC Secretary to the contrary, in circumstances where either:
 - (i) no Parallel Auction will be held; or
 - (ii) one or more Parallel Auctions will be held.

"Non-Conforming Reference Obligation" means a Reference Obligation which is not a Conforming Reference Obligation.

"Non-Conforming Substitute Reference Obligation" means an obligation which would be a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

"Non-Financial Instrument" means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

"Non-Standard Credit Event Determination Date" means, with respect to a Credit Event:

- (a) subject to paragraph (b) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (i) a DC Credit Event Announcement has occurred nor (ii) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
- (b) notwithstanding paragraph (a) of this definition, if a DC Credit Event Announcement has occurred and the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) either:
 - (i) the Credit Event Resolution Request Date, if either:
 - (A) (1) "Auction Settlement" is not the applicable Settlement Method;
 - (2) the relevant Credit Event is not an M(M)R Restructuring; and
 - (3) the Trade Date occurs on or prior to the date of the DC Credit Event Announcement; or
 - (B) the relevant Credit Event is an M(M)R Restructuring and a Credit Event Notice is delivered on or prior to the Non-Standard Exercise Cut-off Date; or
 - (ii) the first date on which a Credit Event Notice is delivered during either the Notice Delivery Period or the period from and including the date of the DC Credit Event Announcement to and

including the date that is fourteen (14) calendar days thereafter (provided, in each case, that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)) if either:

- (A) (1) "Auction Settlement" is not the applicable Settlement Method;
 - (2) the relevant Credit Event is not an M(M)R Restructuring; and
 - (3) the Trade Date occurs following the date of the related DC Credit Event Announcement and on or prior to a DC Announcement Coverage Cut-off Date; or
- (B) the Calculation Agent determines this is otherwise consistent with the Hedging Arrangements,

provided that no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date or the Calculation Agent determines this is otherwise consistent with the Hedging Arrangements.

"Non-Standard Exercise Cut-off Date" means, with respect to a Credit Event to which paragraph (a) of the definition of "Credit Event Determination Date" does not apply:

- (a) if such Credit Event is not an M(M)R Restructuring, either:
 - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
 - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
 - (iii) the date that is fourteen (14) calendar days following the No Auction Announcement Date, if any, as applicable; or
- (b) if such Credit Event is an M(M)R Restructuring and:
 - (i) the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five (5) Relevant City Business Days following the date on which such Final List is published; or
 - (ii) otherwise, the date that is fourteen (14) calendar days following the relevant No Auction Announcement Date.

"Non-Standard Reference Obligation" means, in respect of the Reference Entity, the Original Non-Standard Reference Obligation or, if a Substitute Reference Obligation has been determined, the Substitute Reference Obligation.

"Non-Transferable Instrument" means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

"Notice Delivery Date" means the first date on which both a Credit Event Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the Applicable Transaction Terms, a Notice of Publicly Available Information have been delivered by the Calculation Agent.

"Notice Delivery Period" means the period from and including the Trade Date to and including the date that is fifteen (15) Business Days after the Extension Date.

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

"Notice of Publicly Available Information" means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly

Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. 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 applicable in the Applicable Transaction Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Credit Linked Condition 16 (*Determinations and Notices*).

"Notice to Exercise Movement Option" means, with respect to Notes for which (a) an M(M)R Restructuring applies and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Calculation Agent to the Issuer that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date.

"Obligation" means:

- (a) any obligation of the Reference Entity (either directly or as a provider of a Relevant Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below; and
- (b) the Reference Obligation,

in each case unless it is an Excluded Obligation.

For the purposes of paragraph (a) of this definition of Obligation, the term "Obligation" may be defined as each obligation of the Reference Entity described by the Obligation Category specified in the Applicable Transaction Terms, and having each of the Obligation Characteristics (if any) specified in the Applicable Transaction Terms, in each case, immediately prior to the Credit Event which is the subject of either the Credit Event Notice or the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (a) **"Obligation Category"** means Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the Applicable Transaction Terms, where:
 - (i) **"Payment"** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (ii) **"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);
 - (iii) **"Reference Obligation Only"** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligation Only;
 - (iv) **"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;
 - (v) **"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
 - (vi) **"Bond or Loan"** means any obligation that is either a Bond or a Loan.

- (b) **"Obligation Characteristics"** means any one or more of Not Subordinated, Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the Applicable Transaction Terms, where:
- (i) (A) **"Not Subordinated"** means an obligation that is not Subordinated to (I) the Reference Obligation or (II) the Prior Reference Obligation, if applicable;
 - (B) **"Subordination"** means, with respect to an obligation (the **"Second Obligation"**) and another obligation of the Reference Entity to which such obligation is being compared (the **"First 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 First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (II) the holders of the Second Obligation will not be entitled to receive or retain principal 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 First 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, (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security 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 and (y) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and "Standard Reference Obligation" is applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date; and
 - (C) **"Prior Reference Obligation"** means, in circumstances where there is no Reference Obligation applicable to the relevant Notes, (I) the Reference Obligation most recently applicable thereto, if any, and otherwise (II) the obligation specified in the Applicable Transaction Terms as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise (III) any unsubordinated Borrowed Money obligation of the Reference Entity;
- (ii) **"Credit Linked Specified Currency"** means an obligation that is payable in the currency or currencies specified as such in the Applicable Transaction Terms (or, if Credit Linked Specified Currency is specified in the Applicable Transaction Terms and no currency is so specified, any Standard Specified Currency) provided that if euro is a Credit Linked Specified Currency, "Credit Linked Specified Currency" shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority;
- (iii) **"Not Sovereign Lender"** means any obligation that is not primarily owed to (A) a Sovereign or (B) any entity or organisation established by treaty or other arrangement between two (2) or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt";

- (iv) **"Not Domestic Currency"** means any obligation that is payable in any currency other than the applicable Domestic Currency provided that a Standard Specified Currency shall not constitute a Domestic Currency;
- (v) **"Not Domestic Law"** means any obligation that is not governed by applicable Domestic Law, provided that the laws of England and the laws of the State of New York shall not constitute a Domestic Law;
- (vi) **"Listed"** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (vii) **"Not Domestic Issuance"** means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued, as the case may be), or intended to be offered 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 of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the 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 the Reference Entity under one or more Obligations.

"Original Non-Standard Reference Obligation" means the obligation of the Reference Entity (either directly or as provider of a guarantee) which is specified as the Reference Obligation in respect of such Reference Entity in the Applicable Transaction Terms (if any is so specified) provided that if an obligation is not an obligation of the Reference Entity, such obligation will not constitute a valid Original Non-Standard Reference Obligation for purposes of the relevant Notes (other than for the purposes of determining the Seniority Level and for the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) unless (a) in respect of a Series of Notes this definition of "Original Non-Standard Reference Obligation" is specifically amended or overridden in the applicable Pricing Supplement, or (b) the relevant Notes are Reference Obligation Only Notes.

"Outstanding Amount" has the meaning given to that term in Credit Linked Condition 4 (Physical Settlement).

"Outstanding Principal Balance" means the outstanding principal balance of an obligation which will be calculated as follows:

- (a) first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with the definition of Accrued Interest above, the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee, will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);
- (b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (A) payment or (B) a Permitted Contingency) (the amount determined

in accordance with paragraph (a) above less any amounts subtracted in accordance with this paragraph (b), the "**Non-Contingent Amount**"; and

- (c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:

- (i) unless otherwise specified, in accordance with the terms of the obligation in effect on either (A) the relevant PSN Effective Date (or, if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (B) the relevant Valuation Date; and
- (ii) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

"Package Observable Bond" means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at www.isda.org from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within paragraph (a) or (b) of the definition of Deliverable Obligation (above), in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective.

"Parallel Auction" means "Auction" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

"Parallel Auction Cancellation Date" means "Auction Cancellation Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

"Parallel Auction Settlement Terms" means, following the occurrence of an M(M)R Restructuring, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such M(M)R Restructuring, and for which (a) the Deliverable Obligation Terms are the same as the Reference Transaction and (b) the Reference Transaction would not be an Auction Covered Transaction provided that, if no such Credit Derivatives Auction Settlement Terms are published, the Calculation Agent may select in its sole discretion the applicable Credit Derivatives Auction Settlement Terms.

"Parallel Notice of Physical Settlement Date" means "Notice of Physical Settlement Date" as defined in the relevant Parallel Auction Settlement Terms.

"Payment Requirement" means the amount specified as such in the Applicable Transaction Terms or its equivalent in the relevant Obligation Currency or, if no such amount is specified in the Applicable Transaction Terms, USD1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Permissible Deliverable Obligations" has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

"Permitted Contingency" means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:

- (a) as a result of the application of:
 - (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;
 - (ii) provisions implementing the Subordination of the obligation;

- (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);
 - (iv) if "Subordinated European Insurance Terms" are specified as applicable in the Applicable Transaction Terms, any Solvency Capital Provisions; or
 - (v) if "Financial Reference Entity Terms" are specified as applicable in the Applicable Transaction Terms, provisions which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention; or
- (b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

"Permitted Transfer" means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.

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

"Physical Settlement Period" means, subject to Credit Linked Condition 10 (*Settlement Suspension*), the number of Business Days specified as such in the Applicable Transaction Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising 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 provided that if the Issuer has notified the Noteholders in accordance with Credit Linked Condition 4 (*Physical Settlement*) that it will Deliver an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Physical Settlement Period shall be thirty-five (35) Business Days.

"Post Dismissal Additional Period" means the period from and including the date of the DC Credit Event Question Dismissal to and including the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)).

"Potential Credit Event" means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or, if a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. A Credit Derivatives Determinations Committee and the Calculation Agent may each determine whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred.

"Potential Failure to Pay" means the failure by the 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, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations.

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

"Prior Deliverable Obligation" means:

- (a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), any obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within paragraph (a) or (b) of the definition of Deliverable Obligation above, in each case,

immediately preceding the date on which such Governmental Intervention was legally effective; or

- (b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), such Reference Obligation, if any.

"Private-side Loan" means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

"Prohibited Action" means any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a) to (d) of the definition of Credit Event above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor.

"PSN Cut-off Date" means subject, where applicable, to Credit Linked Condition 10 (*Settlement Suspension*):

- (a) subject to paragraph (b) below, the later of:
 - (i) the thirtieth (30th) calendar day after the Credit Event Determination Date; and
 - (ii) the tenth (10th) calendar day after either the date of the relevant DC Credit Event Announcement or of the relevant DC Credit Event Question Dismissal, if any (or, if the relevant Credit Event is an M(M)R Restructuring, the tenth (10th) calendar day after the Non-Standard Exercise Cut-off Date); or
- (b) if, in accordance with the terms of Credit Linked Condition 2 (*Auction Settlement*) above, Credit Linked Condition 2(B) applies as a result of the occurrence of (a) an Auction Cancellation Date or (b) a No Auction Announcement Date and:
 - (i) the relevant Credit Event is not an M(M)R Restructuring, the later of:
 - (A) the date determined pursuant to paragraph (a)(i) above; and
 - (B) the thirtieth (30th) calendar day after the Auction Cancellation Date or the No Auction Announcement Date, occurring pursuant to paragraph (a) or (c)(i) of the definition of No Auction Announcement Date above, as applicable; or
 - (ii) the relevant Credit Event is an M(M)R Restructuring either:
 - (A) the later of:
 - (1) the date determined pursuant to paragraph (a)(i) above; and
 - (2) the thirtieth (30th) calendar day after:
 - (x) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of No Auction Announcement Date above, if any;
 - (y) a No Auction Announcement Date occurring pursuant to paragraph (c)(i) of the definition of No Auction Announcement Date above, if any; or
 - (z) the Auction Cancellation Date, if any, as applicable; or
 - (B) the later of the Parallel Notice of Physical Settlement Date (or, if more than one Parallel Notice of Physical Settlement Date should occur, the last Parallel Notice of Physical Settlement Date), and the Relevant City Business Day immediately following the Parallel Auction Cancellation Date, if any (or, if more than one should

occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:

- (1) a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date above and the Issuer has not exercised the Movement Option; or
- (2) a No Auction Announcement Date occurs pursuant to paragraph (c)(ii) of the definition of No Auction Announcement Date above and the Issuer has not exercised the Movement Option,

provided that in the case of paragraphs (a)(ii) and (b) above, the relevant Credit Event Resolution Request Date, if any, occurred on or prior to the date described in paragraph (a)(i) above.

"PSN Effective Date" means the date on which a Calculation Agent Physical Settlement Notice or Calculation Agent Physical Settlement Amendment Notice, as the case may be, is delivered to the Issuer.

"Public Source" means each source of Publicly Available Information specified as such in the Applicable Transaction Terms (or, if no such source is specified in the Applicable Transaction Terms, each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, Asahi Shimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review and Debtwire (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).

"Publicly Available Information" means 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 have occurred and which:

- (a) has been published in or on not less than the Specified Number of Public Sources (regardless of whether the reader or user thereof pays a fee to obtain such information); or
- (b) is information received from or published by (i) the Reference Entity (or, if the Reference Entity is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign) or (ii) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
- (c) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body,

provided that where any information of the type described in paragraph (b) or (c) above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

In relation to any information of the type described in paragraph (b) or (c) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

Without limitation, Publicly Available Information need not state:

- (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned by the Reference Entity; and

- (ii) that the relevant 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.

In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in paragraphs (a) and (b) of the definition of "Repudiation/Moratorium" below.

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

"Qualifying Guarantee" means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an Underlying Obligation for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

- (a) which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or
- (b) pursuant to the terms applicable thereto, where the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance, in each case, other than:
 - (i) by payment;
 - (ii) by way of Permitted Transfer;
 - (iii) by operation of law;
 - (iv) due to the existence of a Fixed Cap; or
 - (v) due to:
 - (A) provisions permitting or anticipating a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the Applicable Transaction Terms; or
 - (B) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the Applicable Transaction Terms.

If the guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such guarantee or Underlying Obligation, due to or following the occurrence of (I) a non-payment in respect of the guarantee or the Underlying Obligation, or (II) an event of the type described in the definition of Bankruptcy above in respect of the Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the guarantee or Underlying Obligation.

In order for a guarantee to constitute a Qualifying Guarantee:

- I. the benefit of such guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation; and

- II. if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being Delivered together with the Delivery of such guarantee.

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

"Quantum of the Claim" means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

"Quotation" means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage of the Outstanding Principal Balance or Due and Payable Amount, as applicable, of the Reference Obligation with respect to a Valuation Date in the manner that follows:

The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five (5) or more Quotation Dealers. If the Calculation Agent is unable to obtain two (2) or more such Full Quotations on the same Business Day within three (3) Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth (10th) Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five (5) or more Quotation Dealers and, if two (2) or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two (2) or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth (10th) 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 (10th) 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 (10th) Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

"Quotation Amount" means the amount specified as such in the Applicable Transaction Terms (which may be specified by reference to an amount in a currency or by reference to "Representative Amount") or, if no amount is specified in the Applicable Transaction Terms, the amount selected by the Calculation Agent, by reference to the Hedging Arrangements, as appropriate, in respect of each Reference Obligation or Deliverable Obligation selected by the Calculation Agent.

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

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

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

If a Quotation Method is not specified in the Applicable Transaction Terms, Bid shall apply.

"Reference Entity" means the entity specified as such in the Applicable Transaction Terms. Any Successor to the Reference Entity either (a) identified pursuant to the definition of "Successor" on or

following the Trade Date or (b) identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date shall, in each case, with effect from the Succession Date, be the Reference Entity for the purposes of the relevant Series.

"Reference Obligation" means the Standard Reference Obligation, if any, unless:

- (a) "Standard Reference Obligation" is specified as not applicable in the Applicable Transaction Terms, in which case the Reference Obligation will be the Non-Standard Reference Obligation, if any; or
- (b) (i) "Standard Reference Obligation" is specified as applicable in the Applicable Transaction Terms (or no election is specified in the Applicable Transaction Terms), (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the Applicable Transaction Terms, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

If the Standard Reference Obligation is removed from the SRO List, such obligation shall cease to be the Reference Obligation and the Calculation Agent will select as a substitute Reference Obligation any Deliverable Obligation with the same level of seniority as the relevant Seniority Level. In addition, the Calculation Agent (i) may replace the Reference Obligation with any further Deliverable Obligation with the same level of seniority as the relevant Seniority Level from time to time and (ii) if a new obligation is placed on the SRO List, in respect of the relevant Reference Entity, then the Calculation Agent may, but is not obliged to, select the new Standard Reference Obligation in respect of the Reference Entity as the Reference Obligation. The provisions of this definition may be applied by the Calculation Agent on more than one occasion and are without prejudice to the right of the Calculation Agent to determine a Substitute Reference Obligation.

"Reference Obligation Only Notes" means any Notes in respect of which (a) "Reference Obligation Only" is specified as the Obligation Category and, if applicable, the Deliverable Obligation Category in the Applicable Transaction Terms and (b) "Standard Reference Obligation" is specified as not applicable in the Applicable Transaction Terms.

"Reference Transaction" means a hypothetical credit derivative transaction:

- (a) for which the Deliverable Obligation Terms, the Reference Obligation and the Reference Entity are (i) the same as in respect of the Notes (if Deliverable Obligation Terms and a Reference Obligation are specified in the Applicable Transaction Terms) or (ii) if and to the extent Deliverable Obligation Terms and/or a Reference Obligation are not so specified, the Deliverable Obligation Terms and Reference Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;
- (b) with a scheduled termination date matching the Scheduled Maturity Date of the Notes; and
- (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Hedging Arrangements and/or any credit derivative elections made in relation to the Notes.

"Relevant City Business Day" has the meaning given in the DC Rules.

"Relevant Clearance Business Day" is a day which is:

- (a) a Business Day; and
- (b) (i) where the Deliverable Obligations are Bonds, a day on which the relevant clearance system for settlement of the Bonds is open for the acceptance and execution of settlement instructions other than a day on which such clearance system is scheduled to close prior to its regular weekday closing time; or

- (ii) where the Deliverable Obligations are Loans, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of denomination of the relevant Loan or, if such currency is euro, a day on which the TARGET2 System (as defined in the Conditions) is open.

"Relevant Guarantee" means a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the Applicable Transaction Terms, a Qualifying Guarantee.

"Relevant Holder" means a holder of the Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable.

"Relevant Obligations" means the Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), provided that:

- (a) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;
- (b) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under paragraph (a) of the definition of Successor below, make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- (c) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Transaction Terms and (i) the Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (ii) there is no Reference Obligation or Prior Reference Obligation, the Relevant Obligations shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan"; and
- (d) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Transaction Terms, and the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan", provided that if no such Relevant Obligations exist, "Relevant Obligations" shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan".

"Replaced Deliverable Obligation Outstanding Amount" has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

"Replacement Deliverable Obligation" has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

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

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

- (a) an authorised officer of the Reference Entity or a Governmental Authority:
 - (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or

- (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"Repudiation/Moratorium Evaluation Date" means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (i) the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium and (ii) 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 (b) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

"Repudiation/Moratorium Extension Condition" will be satisfied:

- (a) if the DC Secretary publicly announces, pursuant to a valid request that was delivered and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date; or
- (b) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the Applicable Transaction Terms, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date.

In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or not capable of being satisfied, if, or to the extent that, the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the Reference Entity, or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity but that such event occurred after the Scheduled Maturity Date.

"Repudiation/Moratorium Extension Notice" means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date. 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.

"Resolve" has the meaning set out in the DC Rules, and **"Resolved"** and **"Resolves"** shall be construed accordingly.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

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

Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date applicable to the relevant Notes and the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest, or (B) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency 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, in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

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

- (i) the payment in euro of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;
- (iii) the occurrence of, agreement to or announcement of any of the events described in paragraphs (a) to (e) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (iv) the occurrence of, agreement to or announcement of any of the events described in (a) to (e) 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, provided that in respect of paragraph (e) above only, no such deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

For the purposes of this definition of Restructuring and Credit Linked Condition 14 (*Provisions relating to Multiple Holder Obligation*), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in the initial paragraph and paragraphs (a) to (e) of this definition of Restructuring shall be deemed to refer to the Underlying Obligor and the references to the Reference Entity in paragraphs (i) to (iv) of this definition of Restructuring shall continue to be deemed to refer to the Reference Entity.

If an exchange has occurred, the determination as to whether one of the events described under paragraphs (a) to (e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

"Restructuring Date" means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5 year Limitation Date (such Restructured Bond or Loan, a **"Latest Maturity Restructured Bond or Loan"**) and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan. For these purposes, the final maturity date shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

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

"Seniority Level" means, with respect to an obligation of the Reference Entity:

- (a) "Senior Level" or "Subordinated Level" as specified in the Applicable Transaction Terms; or
- (b) if no such seniority level is specified in the Applicable Transaction Terms, "Senior Level" if the Original Non-Standard Reference Obligation is a Senior Obligation or "Subordinated Level" if the Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which;
- (c) "Senior Level".

"Senior Obligation" means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity.

"Settlement Currency" means the currency specified as such in the Applicable Transaction Terms or, if no currency is specified in the Applicable Transaction Terms, the Specified Currency of the Notes.

"Settlement Method" means, if (a) Auction Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms or if no Settlement Method is specified in the Applicable Transaction Terms, Auction Settlement, (b) Cash Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms, Cash Settlement, or (c) Physical Delivery is specified as the applicable Settlement Method in the Applicable Transaction Terms, Physical Delivery.

"Solvency Capital Provisions" means any terms in an obligation which permit the Reference Entity's payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

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

"Sovereign Restructured Deliverable Obligation" means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or DC Credit Event Announcement has occurred and (b) which fell within paragraph (a) of the definition of Deliverable Obligation above immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Sovereign Succession Event" means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other similar event.

"Specified Number" means the number of Public Source(s) specified in the Applicable Transaction Terms or, if no such number is specified in the Applicable Transaction Terms, two (2).

"SRO List" means the list of Standard Reference Obligations as published by ISDA on its website at www.isda.org from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.

"Standard Reference Obligation" means the obligation of the Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List.

"Standard Specified Currency" means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which, in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

"Steps Plan" means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.

"Subordinated Obligation" means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of the relevant Reference Entity existed.

"Substitute Reference Obligation" means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the obligation that will replace the Non-Standard Reference Obligation, determined by the Calculation Agent as follows:

- (a) The Calculation Agent shall identify the Substitute Reference Obligation in accordance with paragraphs (c), (d) and (e) below to replace the Non-Standard Reference Obligation; provided that the Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation has not changed materially since the date of the relevant DC Resolution.
- (b) If any of the events set forth under paragraph (a) or (b)(ii) of the definition of Substitution Event have occurred with respect to the Non-Standard Reference Obligation, the Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic and paragraph (c)(ii) below). If the event set forth in paragraph (b)(i) of the definition of Substitution Event below has occurred with respect to the Non-Standard Reference Obligation and no Substitute Reference Obligation is available, the Non-Standard Reference Obligation will continue to be the Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under paragraph (a) or (b)(ii) of the definition of Substitution Event below occur with respect to such Non-Standard Reference Obligation.
- (c) The Substitute Reference Obligation shall be an obligation that on the Substitution Date:
 - (i) is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a guarantee);
 - (ii) satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change to the priority of payment after such date) and on the Substitution Date; and
 - (iii) (A) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:

- (1) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,
 - (2) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above;
 - (B) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:
 - (1) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
 - (2) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,
 - (3) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
 - (4) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or
 - (C) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:
 - (1) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
 - (2) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
 - (3) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,
 - (4) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above.
- (d) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in paragraph (c) above, the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Issuer under the Notes as determined by the Calculation Agent. The Calculation Agent will notify the Noteholders in accordance with Condition 14 (*Notices*) of the Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with paragraph (c) above and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation.
- (e) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation then, subject to paragraph (a) above and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with paragraph (b) above, the Calculation Agent shall continue to attempt to identify the Substitute Reference Obligation until the Extension Date

although the Calculation Agent is not obliged to select a Substitute Reference Obligation at any time. If (A) either (i) Cash Settlement is specified as the Settlement Method in the Applicable Transaction Terms (or is applicable pursuant to the Fallback Settlement Method) and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or (ii) Auction Settlement or Physical Delivery is specified as the Settlement Method in the Applicable Transaction Terms (or, in the case of Physical Delivery, is applicable pursuant to the Fallback Settlement Method) and, in each case, the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date, a Substitute Reference Obligation has not been identified, then the Issuer shall have the right on or after the Extension Date to redeem the Notes at the Early Redemption Amount (determined by the Calculation Agent taking into account the creditworthiness of the Reference Entity at the time of the early redemption) by notice to Noteholders in accordance with Condition 14 (*Notices*), such payment to be made as specified in such notice. Such notice shall contain details of the procedures and due date for such early redemption.

- (f) For the avoidance of doubt, no Substitute Reference Obligation shall be determined in respect of any Credit Linked Notes that are Reference Obligation Only Notes.

"Substitution Date" means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent notifies the Issuer of the Substitute Reference Obligation that it has identified in accordance with the definition of Substitute Reference Obligation above.

"Substitution Event" means, with respect to the Non-Standard Reference Obligation:

- (a) the Non-Standard Reference Obligation is redeemed in whole; or
- (b) provided that the Credit Linked Notes to which the Non-Standard Reference Obligation relates are not Reference Obligation Only Notes:
 - (i) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below USD10,000,000 (or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or
 - (ii) for any reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of the Reference Entity (either directly or as provider of a guarantee).

For purposes of identification of the Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event. If an event described in paragraph (a) or (b)(i) above has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to paragraph (a) or (b)(i) above as the case may be, on the Trade Date.

"Substitution Event Date" means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

"Succession Date" means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; provided that if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (a) the date on which a determination pursuant to paragraph (a) of the definition of Successor below would not be affected by any further related successions in respect of such Steps Plan, or (b) the occurrence of a Credit Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.

"Successor" means:

- (a) subject to paragraph (b) below, the entity or entities, if any, determined as follows:
 - (i) subject to paragraph (vii) below, if one entity succeeds, either directly or as a provider of a Relevant Guarantee, to seventy-five per cent. (75%) or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor;

- (ii) if only one entity succeeds, either directly or as a provider of a Relevant Guarantee, to more than twenty-five per cent. (25%) (but less than seventy-five per cent. (75%)) of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations will be the sole Successor;
 - (iii) if more than one entity each succeeds, either directly or as a provider of a Relevant Guarantee, to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent. (25%) of the Relevant Obligations will each be a Successor and these Terms and Conditions and/or the Applicable Transaction Terms will be adjusted as provided below;
 - (iv) if one or more entities each succeeds, either directly or as a provider of a Relevant Guarantee, to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity, and more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and these Terms and Conditions and/or the Applicable Transaction Terms will be adjusted as provided below;
 - (v) if one or more entities succeed, either directly or as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of such succession;
 - (vi) if one or more entities succeed, either directly or as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if two (2) or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor and these Terms and Conditions and/or the Applicable Transaction Terms will be adjusted as provided below); and
 - (vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the "**Universal Successor**") will be the sole Successor.
- (b) An entity may only be a Successor if:
- (i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;
 - (ii) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and
 - (iii) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date, any Successor or Successors

under paragraph (a) above, provided that the Calculation Agent will not make any such determination if, at the time of determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations.

The Calculation Agent will make all calculations and determinations required to be made under this definition of Successor on the basis of Eligible Information and will, as soon as practicable after such calculation or determination, make such calculation or determination available for inspection by Noteholders at the specified office of the Principal Paying Agent. In calculating the percentages used to determine whether an entity qualifies as a Successor under paragraph (a) above, if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

Where pursuant to paragraph (a)(iii), (a)(iv), (a)(vi) or (b) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Terms and Conditions and/or the Applicable Transaction Terms as it shall determine to be appropriate to reflect that the 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 Transaction Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Notes under the provisions of the 2014 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment and notifying the Issuer of such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 14 (*Notices*) stating the adjustment to these Terms and Conditions and/or the Applicable Transaction Terms and giving brief details of the relevant Successor event.

If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**") either directly or as a provider of a Relevant Guarantee, then (i) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (ii) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

For the purposes of this definition of "Successor", "**succeed**" means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (ii) issues Bonds or incurs Loans (the "**Exchange Bonds or Loans**") that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable. For purposes of this definition of "Successor", "**succeeded**" and "**succession**" shall be construed accordingly. In the case of an exchange offer, the determinations required pursuant to paragraph (a) of this definition of "Successor" shall be made on the basis of the outstanding principal balance of Relevant Obligations exchanged and not on the basis of the outstanding principal balance of the Exchange Bonds or Loans.

"**Successor Backstop Date**" means, for purposes of any Successor determination determined by DC Resolution, the date that is ninety (90) calendar days prior to the Successor Resolution Request Date, otherwise the date that is ninety (90) calendar days prior to the earlier of (a) the date on which the Successor Notice is effective and (b) in circumstances where (i) a Successor Resolution Request Date has occurred, (ii) the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination and (iii) the Successor Notice is delivered not more than fourteen (14) calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination, the Successor Resolution Request Date. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"Successor Notice" means a notice from the Calculation Agent to the Issuer that describes a succession (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to the Reference Entity can be determined.

A Successor Notice must contain a description in reasonable detail of the facts relevant to the determination to be made pursuant to paragraph (a) of the definition of Successor above.

"Successor Resolution Request Date" means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

"Trade Date" means the date specified as such in the Applicable Transaction Terms.

"Transaction Auction Settlement Terms" means the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of Credit Derivatives Auction Settlement Terms), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at www.isda.org (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, *inter alia*, definitions of "Auction", "Auction Cancellation Date", "Auction Covered Transaction" and "Auction Final Price Determination Date" in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the Notes shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives Auction Settlement Terms). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in these Credit Linked Conditions principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the Notes.

"Undeliverable Obligation" means a Deliverable Obligation included in the Asset Amount which, on the Credit 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, contractual restrictions, statutory restrictions or market conditions but excluding the non-receipt of any requisite consents with respect to the Delivery of Loans or non-delivery of an Asset Transfer Notice or any information by a Noteholder) is impossible or illegal to Deliver on the Credit Settlement Date.

"Underlying Obligation" means, with respect to a guarantee, the obligation which is the subject of the guarantee.

"Underlying Obligor" means, with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

"Unwind Costs" means the amount specified in the Applicable Transaction Terms or if "Standard Unwind Costs" are specified in the Applicable Transaction Terms, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs (including loss of funding), fees, charges, expenses, tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Notes and the related termination, settlement or re-establishment of any Hedging Arrangements, such amount to be apportioned pro rata amongst each of the Notes.

"Valuation Date" means, subject to Credit Linked Condition 10 (*Settlement Suspension*):

- (a) where Physical Delivery is specified as applying in the Applicable Transaction Terms, the day falling two (2) Business Days after the Final Delivery Date (as such term is defined in Credit Linked Condition 21 (*Physical Delivery*)) or such other earlier date determined by the Calculation Agent by reference to the Hedging Arrangements (if any) or otherwise;
- (b) (i) if "Single Valuation Date" is specified in the Applicable Transaction Terms and subject to Credit Linked Condition 10 (*Settlement Suspension*), the date that is the number of Business Days specified in the Applicable Transaction Terms (or, if the

number of Business Days is not so specified, five (5) Business Days) following the Credit Event Determination Date (or, if the Credit Event Determination Date occurs pursuant to paragraph (a)(ii) of the definition of Credit Event Determination Date above or paragraph (b)(i) of the definition of Non-Standard Credit Event Determination Date, the day on which the DC Credit Event Announcement occurs) (or, if "Cash Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with paragraph (a) or (b) of Credit Linked Condition 2 (Auction Settlement) above, the date that is the number of Business Days specified in the Applicable Transaction Terms (or, if the number of Business Days is not so specified, five (5) Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and

- (ii) if "Multiple Valuation Dates" is specified in the Applicable Transaction Terms, each of the following dates:
 - (A) subject to Credit Linked Condition 10 (*Settlement Suspension*), the date that is the number of Business Days specified in the Applicable Transaction Terms (or, if the number of Business Days is not so specified, five (5) Business Days) following the Credit Event Determination Date (or if the Credit Event Determination Date occurs pursuant to paragraph (a)(ii) of the definition of Credit Event Determination Date above or paragraph (b)(i) of the definition of Non-Standard Credit Event Determination Date, the day on which the DC Credit Event Announcement occurs) (or if Cash Settlement is the applicable Fallback Settlement Method in accordance with paragraph (a) or (b) of Credit Linked Condition 2 (Auction Settlement) above, the date that is the number of Business Days specified in the Applicable Transaction Terms (or, if the number of Business Days is not so specified, five (5) Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
 - (B) each successive date that is the number of Business Days specified in the Applicable Transaction Terms (or, if the number of Business Days is not so specified, five (5) Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the Applicable Transaction Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the Applicable Transaction Terms (or, if the number of Valuation Dates is not so specified, five (5) Valuation Dates).

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

"Valuation Method":

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

If no such Valuation Method is specified in the Applicable Transaction Terms, the Valuation Method shall be Highest.

- (b) The following Valuation Methods may be specified in the Applicable Transaction Terms with more than one Valuation Date:

- (i) **"Average Market"** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
- (ii) **"Highest"** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
- (iii) **"Average Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

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

- (c) Notwithstanding paragraphs (a) and (b) above, if Quotations include Weighted Average Quotations or fewer than two (2) Full Quotations, the Valuation Method shall be Market or Average Market, as the case may be.
- (d) Where applicable, the Applicable Transaction Terms may specify an alternative Valuation Method which shall be applicable in respect of the relevant Notes.

"Valuation Time" means the time specified as such in the Applicable Transaction Terms or, if no such time is specified, 11.00 a.m. 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 or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but, of a size at least equal to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

13. Credit Event Notice after Restructuring Credit Event

If this Credit Linked Condition 13 is specified as applicable in the Applicable Transaction Terms, then, notwithstanding anything to the contrary in these Terms and Conditions, upon the occurrence of an M(M)R Restructuring:

- (a) The Calculation Agent may deliver multiple Credit Event Notices in respect of such M(M)R Restructuring, each such Credit Event Notice setting forth an amount (the **"Partial Redemption Amount"**) that may be less than the aggregate principal amount of those Notes outstanding immediately prior to the delivery of such Credit Event Notice. In such circumstances the Credit Linked Conditions and related provisions 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 (A) 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 (*Interest Provisions*) (adjusted in such manner as the Calculation Agent determines to be appropriate), (B) the Credit Linked Conditions and related provisions 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 (C) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable or deliverable to Noteholders under the relevant Series, the Calculation Agent will determine (x) such adjustment(s) to these Terms and Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Credit Linked Condition 13 and (y) the effective date of such adjustment(s).
- (c) If the provisions of this Credit Linked Condition 13 apply in respect of the Notes, on redemption of part of each such Note, the relevant Note or, if the Notes are represented by a Global Note, such Global Note shall be endorsed to reflect such part redemption.

- (d) If any Note represented by a U.S. Global Note is to be redeemed by Delivery of an Asset Amount, the relevant provisions relating to such Delivery shall be set out in the applicable Pricing Supplement.

14. Provisions relating to Multiple Holder Obligation

Unless this Credit Linked Condition 14 is specified as not applicable in the Applicable Transaction Terms, then, 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 (a) to (e) 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 (a) at the time of the event which constitutes a Restructuring Credit Event is held by more than three (3) holders that are not Affiliates of each other and (b) (i) is a Bond and/or (ii) is an Obligation 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 (66⅔%) is required to consent to the event which constitutes a Restructuring Credit Event.

15. Provisions taken from the ISDA supplement titled "Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity (September 2014)"

If this Credit Linked Condition 15 is specified as applicable in the Applicable Transaction Terms, the following provisions will apply:

- (a) **Obligation and Deliverable Obligation.** Paragraph (a) of the definition of Obligation in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) and paragraph (a) of the definition of Deliverable Obligation in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) are hereby amended by adding "or Qualifying Policy" after "as provider of a Relevant Guarantee".
- (b) **Interpretation of Provisions.** In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, paragraph (ii) (Interpretation of Provisions) of the definition of Deliverable Obligation in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) will apply, with references to the Relevant Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument 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 Instrument 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 Instrument, and the terms "obligation" and "obligor" as used in these Credit Linked Conditions in respect of such an Insured Instrument 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 Instrument 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 Transaction Terms;
 - (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the Applicable Transaction Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument;

- (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "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; and
 - (vi) with respect to a Qualifying Policy and an Insured Instrument, only the Qualifying Policy must satisfy on the relevant date or dates the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, if applicable.
- (c) **Outstanding Principal Balance.** References in paragraph (a) of the definition of "Outstanding Principal Balance" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) to a Guarantee, the Underlying Obligation and the Underlying Obligor shall be deemed to include a Qualifying Policy, the Insured Instrument and the Insured Obligor respectively. Any provisions of an Insured Instrument limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instruments shall be disregarded for the purposes of limb (ii) of paragraph (b) of the definition of "Outstanding Principal Balance" provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction.
- (d) **Deliver.** For the purposes of the definition of "Deliver" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and "Delivery" and "Delivered" will be construed accordingly.
- (e) **Provisions for Determining a Successor.** Paragraph (a), the paragraph commencing "If two or more entities..." and the paragraph commencing "For the purposes of this definition of "Successor"...", in each case in the definition of "Successor" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) are hereby amended by adding "or Qualifying Policy" after each occurrence of "a Relevant Guarantee". Such paragraph commencing "If two or more entities ..." will be further amended by adding "or provider of a Qualifying Policy" after "as guarantor or guarantors".
- (f) **Original Non-Standard Reference Obligation, Substitute Reference Obligation and Substitution Event.** The definition of "Original Non-Standard Reference Obligation", paragraph (c)(i) of the definition of "Substitute Reference Obligation" and paragraph (b)(ii) of "Substitution Event" are hereby amended by adding "or Qualifying Policy" after "a guarantee".
- (g) **Restructuring**
- (i) With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, paragraphs (a) to (e) inclusive of the definition of "Restructuring" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) are hereby amended to read as follows:
 - "(a) a reduction in the rate or amount of the Instrument Payments in paragraph (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy (including by way of redenomination);
 - (b) a reduction in the amount of the Instrument Payments described in paragraph (A)(y) of the definition thereof that are guaranteed or insured by the Qualifying Policy (including by way of redenomination);
 - (c) a postponement or other deferral of a date or dates for either (x) the payment or accrual of the Instrument Payments described in paragraph (A)(x) of the

definition thereof or (y) the payment of the Instrument Payments described in paragraph (A)(y) of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;

- (d) a change in the ranking in priority of payment of (x) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (y) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or
- (e) any change in the currency of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom, the United States of America and the euro and any successor currency to any of the aforementioned currencies (which, in the case of the euro, shall mean the currency which succeeds to and replaces the euro as a whole)."
- (ii) Paragraph (iv) of the definition of "Restructuring" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) is hereby amended by adding "or, in the case of a Qualifying Policy and an Insured Instrument, where (A) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the Qualifying Policy" at the end thereof.
- (iii) The definition of "Restructuring" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

"For purposes of this definition of "Restructuring" and, if Credit Linked Condition 14 (*Provisions relating to Multiple Holder Obligation*) is specified as applying in the Applicable Transaction Terms, for the purposes of Credit Linked Condition 14 (*Provisions relating to Multiple Holder Obligation*), the term "Obligation" shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in this definition of "Restructuring" shall be deemed to refer to the Insured Obligor with the exception of the references to the Reference Entity in paragraph (iv) of this definition of "Restructuring" which shall continue to refer to the Reference Entity."

- (h) **Fully Transferable Obligation and Conditionally Transferable Obligation.** In the event that "M(M)R Restructuring" applies and a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition. References in the definition of "Conditionally Transferable Obligation" to the "guarantor" and "guaranteeing" shall be deemed to include the "insurer" and "insuring" respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "final maturity date", as such term is used in Credit Linked Condition 4 (*Physical Settlement*) and the definition of "Restructuring Maturity Limitation Date", shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- (i) **Other Provisions.** For purposes of the definitions of "Credit Event", "Deliver" and "Prohibited Action" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) references to the "Underlying Obligation" and the "Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.

(j) **Additional Definitions.**

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

"Instrument Payments" means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in paragraph (c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

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

16. Determinations and Notices

(a) **Determinations and interpretation**

Whenever the Calculation Agent is required to act or exercise judgement in relation to these Credit Linked Conditions, unless otherwise specifically stated in these Credit Linked Conditions, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable after making any determination pursuant to these Credit Linked Conditions, notify the Issuer, the Guarantor and the Noteholders of such determination. The Calculation Agent is not acting as a fiduciary for or as an adviser to the Noteholders in respect of its duties as Calculation Agent in connection with any Notes.

The Calculation Agent will determine the day on which an event occurs for purposes of these Credit Linked Conditions on the basis the demarcation of days shall be made by reference to Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time), irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to these Credit Linked Conditions shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Noteholders. Whenever the Calculation Agent is required to make any determination it may, *inter alia*, decide issues of construction and legal interpretation. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent, the Issuer and the Guarantor shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

In addition, if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have

occurred on such day prior to midnight Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time), irrespective of the time zone of its place of payment.

(b) **Notices**

Any notice to be delivered by the Calculation Agent to the Issuer or the Guarantor, as applicable, pursuant to these Credit Linked Conditions may be given in writing (including by facsimile and/or email) and/or by telephone and will be effective when given. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one (1) Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

17. Provisions taken from the ISDA supplement titled "Additional Provisions for LPN Reference Entities" (published on 15 September 2014)

If this Credit Linked Condition 17 is specified as applicable in the Applicable Transaction Terms, notwithstanding anything to the contrary in the Credit Linked Conditions, the following provisions will apply:

- (a) provisions relating to Multiple Holder Obligation will be deemed to be Not Applicable with respect to any Reference Obligation (and any Underlying Loan);
- (b) each Reference Obligation will be an Obligation, notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to, the definition of "Obligation" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*), and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity;
- (c) each Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to, the definition of "Deliverable Obligation" in Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity.

For the avoidance of doubt with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation.

The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic shall be construed by reference to the Prior Reference Obligation;

- (d) the definition of Reference Obligation shall be deleted and the following substituted therefor:

""**Reference Obligation**" means each of the obligations listed as a Reference Obligation of the Reference Entity in the Applicable Transaction Terms or set forth on the relevant LPN Reference Obligations List (each a "**Markit Published LPN Reference Obligation**"), as published by Markit Group Limited, or any successor thereto, as of the Trade Date (which list is, as of the date of this Base Prospectus, available at <http://www.markit.com/marketing/services.php>), any Additional LPN and each Additional Obligation. Each Reference Obligation determined in accordance with the foregoing will be a Reference Obligation notwithstanding anything to the contrary in the Credit Linked Conditions, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity. The Standard Reference Obligation shall not apply.

It is intended that there may be more than one Reference Obligation, as a result of which all applicable references in the Credit Linked Conditions to "the Reference Obligation" shall be construed as a reference to "a Reference Obligation", and all other provisions of the Credit Linked Conditions shall be construed accordingly. No Substitution Event may occur and no Substitute Reference Obligation may be determined in respect of an LPN Reference Obligation and the definitions of Substitution Event and Substitute Reference Obligation in

this Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) shall be construed accordingly.";

- (e) the definition of Original Non-Standard Reference Obligation shall be deleted and the following substituted therefor:

"Original Non-Standard Reference Obligation" means the obligation of the Reference Entity (either directly or as provider of a guarantee) which is specified as the Reference Obligation in respect of such Reference Entity in the Applicable Transaction Terms (if any is so specified).";

- (f) the following additional definitions shall apply:

"Additional LPN" means any bond issued in the form of a loan participation note (an "LPN") by an entity (the "LPN Issuer") for the sole purpose of providing funds for the LPN Issuer to (a) finance a loan to the Reference Entity (the "Underlying Loan") or (b) provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the "Underlying Finance Instrument"), provided that (i) either (x) in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity or (y) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics; (ii) the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Credit Linked Specified Currency – Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and (iii) the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs.

"Additional Obligation" means each of the obligations listed as an Additional Obligation of the Reference Entity in the Applicable Transaction Terms or set forth on the relevant LPN Reference Obligations List (each a "Markit Published LPN Reference Obligation"), as published by Markit Group Limited, or any successor thereto, as of the Trade Date (which list is, as of the date of this Base Prospectus, available at <http://www.markit.com/marketing/services.php>).

"First Ranking Interest" means a charge, security interest (or other type of interest having similar effect) (an "Interest"), which is expressed as being "first ranking", "first priority", or similar ("First Ranking") in the document creating such Interest (notwithstanding that such Interest may not be First Ranking under any insolvency laws of any related insolvency jurisdiction of the LPN Issuer).

"LPN Reference Obligation" means each Reference Obligation other than any Additional Obligation.

For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation constituting a Reference Obligation.

Each LPN Reference Obligation is issued for the sole purpose of providing funds for the LPN Issuer to finance a loan to the Reference Entity. For the purposes of the Credit Linked Conditions each such loan shall be an Underlying Loan.

18. Amendment of Credit Linked Conditions in accordance with Market Convention

The Calculation Agent may from time to time amend any provision of these Credit Linked Conditions in any manner which the Calculation Agent determines in a commercially reasonable manner is necessary or desirable (i) to incorporate and/or reflect (x) further or alternative documents or protocols from time to time published by ISDA with respect to the documentation, trading or settlement of credit derivative transactions and/or (y) the operation or application of determinations by the Credit Derivatives Determinations Committees and/or (ii) to reflect or account for market practice for credit derivative transactions and/or reflect the Hedging Arrangements of the Issuer or any of its Affiliates.

Any amendment made in accordance with this Credit Linked Condition 18 (*Amendment of Credit Linked Conditions in accordance with Market Convention*) shall be notified to the Noteholders in accordance with Condition 14 (*Notices*).

19. Early redemption of Reference Obligation Only Notes following a Substitution Event

If the Notes are Reference Obligation Only Notes relating to a single Reference Entity and the event set out in paragraph (a) of the definition of Substitution Event above occurs with respect to the Reference Obligation, then:

- (a) interest (if any) shall cease to accrue on the Credit Linked Notes from and including the Interest Payment Date immediately preceding the relevant Substitution Event Date or, if no Interest Payment Date has occurred, no interest will accrue on the Credit Linked Notes; and
- (b) each principal amount of Credit Linked Notes equal to the Calculation Amount set out in the Applicable Transaction Terms will be redeemed by the Issuer at its relevant Reference Obligation Only Termination Amount specified in, or determined in the manner specified in, the Applicable Transaction Terms in the Specified Currency on the Maturity Date, which for the purposes of this Credit Linked Condition 19 (*Early redemption of Reference Obligation Only Notes following a Substitution Event*) shall be the day falling five (5) Business Days following the relevant Substitution Event Date.

20. DC Resolution Adjustment Events

If following the publication of a DC Resolution (the "**Prior DC Resolution**"), a further DC Resolution (the relevant "**Further DC Resolution**") is published the effect of which would be to reverse all or part of the Prior DC Resolution or if any DC Resolution would reverse any determination made by the Calculation Agent and/or the occurrence of a Credit Event Determination Date, notwithstanding any other provisions of these Credit Linked Conditions the Calculation Agent may, in its sole and absolute discretion, make any adjustment(s) that the Calculation Agent determines is necessary or desirable to the Conditions or these Credit Linked Conditions to reflect the publication of such Further DC Resolution or DC Resolution, including, without limitation, as a result of the impact or effect of such Further DC Resolution or DC Resolution on the Hedging Arrangements.

21. Physical Delivery

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

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

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

The Asset Transfer Notice shall:

- (i) specify the name, address and contact telephone number of the relevant Noteholder and the person from whom the Issuer may obtain details for the Delivery of the Asset Amount;

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

The form of Asset Transfer Notice will be made available by the Issuer to Noteholders in accordance with such procedures as will be confirmed by the Issuer in accordance with Condition 14 (*Notices*) following any determination by the Issuer that the Notes are to be redeemed by Delivery of the Asset Amount.

(b) *Notification of Deliverable Obligations*

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

(c) *Verification of the Noteholder*

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

(d) *Determinations and Delivery Expenses*

Any determination as to whether an Asset Transfer Notice is duly completed, delivered and in proper form shall be made, in the case of Notes represented by a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of Notes in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, and shall be conclusive and binding on the Issuer, the Principal Paying Agent(s) and the

relevant Noteholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not properly delivered and/or is not copied to the Principal Paying Agent immediately after being delivered or sent as provided in paragraph (a) above, shall be null and void.

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

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

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

(e) **Delivery**

(i) Subject to:

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

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

(ii) If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to the Principal Paying Agent, on or prior to the Cut-Off Date, then:

- (A) the Issuer may elect, in its sole discretion to Deliver or procure the Delivery of the aggregate Asset Amounts for all such affected Notes, at the risk of the relevant Noteholder, to, or to the order of, the relevant Clearance System(s) in which the Notes are held and its obligation to Deliver any such Asset Amount so Delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the Notes must look solely to the relevant Clearance System for his share of each such Asset Amount so Delivered to, or to the order of, such Clearance System. For the purposes of paragraph (iv) below, each Clearance System will be deemed to be a single Noteholder and each Clearance System will be requested to divide and deliver such Asset Amounts in accordance with its rules; or

- (B) the Asset Amount(s) will be Delivered as soon as practicable after the Scheduled Credit Settlement Date (in which case, such date of Delivery shall be deemed to be the Credit Settlement Date) at the risk of such Noteholder in the manner provided below, 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 and the Guarantor in respect of such Note shall be discharged and neither the Issuer nor the Guarantor shall have any liability in respect thereof. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Credit Settlement Date falling after the date fixed for redemption and no liability in respect thereof shall attach to the Issuer.
- (iii) To the extent that the Issuer is not satisfied that the Delivery Expenses have been or will be paid in full by the relevant Noteholder on or prior to the relevant Credit Settlement Date, the Issuer may, in its sole discretion, elect to reduce the Asset Amount(s) to be Delivered to that Noteholder by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Delivery Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Asset Amount as so reduced, the "**Reduced Asset Amount**"). Where the Issuer elects to make such a reduction, in accordance with this Credit Linked Condition 21(e)(iii) the Issuer's obligation to Deliver the Asset Amount(s) shall be discharged in full by Delivery of the Reduced Asset Amount(s) in accordance with the provisions of this Credit Linked Condition 21(e). The provisions of these Credit Linked Conditions shall apply *mutatis mutandis* to any such Delivery of the Reduced Asset Amount.
- (iv) For the purpose of determining the Asset Amounts in respect of the Notes, Notes held by the same Noteholder will be aggregated. The aggregate Asset Amount(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the relevant Deliverable Obligation (or, where there is more than one type of Deliverable Obligation, each of the Deliverable Obligations), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Deliverable Obligation or of each of the Deliverable Obligations, as the case may be, will not be delivered but in lieu thereof the Issuer shall pay to the Noteholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such fraction(s) in such manner as shall be determined by the Calculation Agent in good faith and in a commercially reasonable manner and notified to Noteholders in accordance with Condition 14 (*Notices*).
- (v) Delivery of the Asset Amount in respect of the Notes is subject to all applicable laws, regulations and practices in force on the Credit Settlement Date and none of the Issuer, the Guarantor or any of their Affiliates or agents and the Paying Agents shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the Issuer, the Guarantor or any of their Affiliates or agents and the Paying Agents shall under any circumstances be liable for any acts or defaults of Euroclear or Clearstream, Luxembourg in relation to the performance of their duties in relation to the Notes.
- (f) **General**

After Delivery of an Asset Amount in respect of a Note and for the Intervening Period, none of the Issuer, the Guarantor, the Calculation Agent and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder or any subsequent beneficial owner of such Note 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, obligations or Deliverable Obligations included in such Asset Amount, (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such securities, obligations or Deliverable Obligations included in such Asset Amount or (iii) be under any liability to a Noteholder or any subsequent beneficial owner of such Note in respect of any loss or damage which such Noteholder, or subsequent beneficial owner, 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, obligations or Deliverable Obligations included in such Asset Amount.

(g) ***Undeliverable Obligations and Hedge Disruption Obligations***

In relation to each Deliverable Obligation constituting the Asset Amount, the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation in accordance with this Credit Linked Condition 21 on the Credit Settlement Date, provided that if all or some of the Deliverable Obligations included in the Asset Amount in respect of a Note are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver or, if applicable, shall attempt to Deliver where possible all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, up to and including (i) the 30th Business Day following the Credit Settlement Date or (ii) such earlier date as the Calculation Agent may select and notify to the Noteholders in accordance with Condition 14 (*Notices*) taking into account the terms of any Hedging Arrangements (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 Credit Linked Condition 9 (*Partial Cash Settlement*) shall apply.

(h) ***Notes represented by a U.S. Global Note***

If any Note represented by a U.S. Global Note is to be redeemed by Delivery of an Asset Amount, the relevant provisions relating to such Delivery shall be set out in the applicable Pricing Supplement.

ANNEX 5
ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

*If specified as applicable in the Applicable Transaction Terms, the terms and conditions applicable to Foreign Exchange (FX) Rate Linked Notes shall comprise the Conditions and the additional terms and conditions for Foreign Exchange (FX) Rate Linked Notes set out below (the "**Foreign Exchange (FX) Rate Linked Note Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Applicable Transaction Terms and subject to completion in the Applicable Transaction Terms. In the event of any inconsistency between the Conditions and the Foreign Exchange (FX) Rate Linked Note Conditions, the Foreign Exchange (FX) Rate Linked Note Conditions shall prevail. In the event of any inconsistency between the Foreign Exchange (FX) Rate Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the Conditions and/or the Foreign Exchange (FX) Rate Linked Note Conditions and (ii) the Applicable Transaction Terms, the Applicable Transaction Terms shall prevail.*

1. Non-EM Valuation and Disruption Provisions

The provisions of this Foreign Exchange (FX) Rate Linked Condition 1 apply unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of a Subject Currency in the Applicable Transaction Terms.

(a) Disruption Events

The occurrence of any of the following events, in respect of any Base Currency, Subject Currency and/or Subject Currencies, shall be a "**Disruption Event**":

- (i) Price Source Disruption;
- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance; or
- (vii) Nationalisation; or

any other event that, in the opinion of the Calculation Agent, is analogous to any of (i) to (vii) above (inclusive).

The Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with Condition 14 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of the Disrupted Day, would have been an Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be.

(b) Consequences of a Disruption Event

Upon a Disruption Event occurring or continuing on any Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant Price Source) as determined by the Calculation Agent, the Calculation Agent shall apply the applicable Disruption Fallback in determining the consequences of the Disruption Event.

"**Disruption Fallback**" means a source or method that may give rise to an alternative basis for determining the Settlement Price when a Disruption Event occurs or exists on a day that is an Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-out Determination Day (or, if different, the day on which prices for that date would, in the ordinary course, be published or

announced by the Price Source). The Calculation Agent shall take the relevant actions specified in either (i), (ii) or (iii) below:

- (i) if an Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day is a Disrupted Day, the Calculation Agent will determine that the relevant Averaging Date or Settlement Price Date, as the case may be, shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day (in the case of the Strike Date or Valuation Date) or Valid Date (in the case of an Averaging Date, Observation Date, Knock-in Determination Day or Knock-out Determination Day), unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the originally scheduled Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, is a Disrupted Day in which case the Calculation Agent may determine that the last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be (irrespective, in the case of an Averaging Date, Observation Date, Knock-in Determination Day or Knock-out Determination Day, of whether that last consecutive Scheduled Trading Day is already an Averaging Date, Observation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be) and may determine the Settlement Price by using commercially reasonable efforts to determine a Settlement Price as of the Valuation Time on the last such consecutive Scheduled Trading Day taking into consideration all available information that in good faith it deems relevant; or
- (ii) if an Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day is a Disrupted Day but is not the Redemption Valuation Date, if Delayed Redemption on the Occurrence of a Disruption Event is specified as being not applicable in the Applicable Transaction Terms, on giving notice to Noteholders in accordance with Condition 14 (*Notices*), the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of such Note, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payment shall be made in such manner as shall be notified to the Noteholders in accordance with Condition 14 (*Notices*); or
- (iii) if an Averaging Date, any Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day is a Disrupted Day but is not the Redemption Valuation Date, if Delayed Redemption on the Occurrence of a Disruption Event is specified as being applicable in the Applicable Transaction Terms, the Calculation Agent shall calculate the fair market value of each Note less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the "**Calculated Foreign Exchange (FX) Disruption Amount**") as soon as practicable following the occurrence of the Disruption Event (the "**Calculated Foreign Exchange (FX) Disruption Amount Determination Date**") and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Foreign Exchange (FX) Disruption Amount plus interest accrued on the Calculated Foreign Exchange (FX) Disruption Amount on a daily basis from and including the Calculated Foreign Exchange (FX) Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount.

2. EM Currency Valuation and Disruption Provisions

The provisions of this Foreign Exchange (FX) Rate Linked Condition 2 apply where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of a Subject Currency in the Applicable Transaction Terms.

(a) EM Disruption Events

If so specified in the Applicable Transaction Terms, the occurrence of any of the following events, in respect of any Base Currency, Subject Currency and/or Subject Currencies, shall be an "**EM Disruption Event**":

- (i) Price Source Disruption;
- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance;
- (vii) Nationalisation;
- (viii) Price Materiality; and/or

any other event that, in the opinion of the Calculation Agent, is analogous to any of (i) to (viii) above (inclusive).

The Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with Condition 14 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of the Disrupted Day, would have been an Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be.

(b) Consequences of an EM Disruption Event

Upon an EM Disruption Event occurring or continuing on any Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant EM FX Price Source) as determined by the Calculation Agent, the Calculation Agent shall apply in determining the consequences of the EM Disruption Event: (a) EM Calculation Agent Determination where the applicable EM Disruption Event is other than Price Source Disruption or Price Materiality; and (b) the applicable EM Disruption Fallback where the applicable EM Disruption Event is a Price Source Disruption or Price Materiality.

(c) Unscheduled Holiday

If the Calculation Agent determines that a date that would otherwise have been a Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day is an Unscheduled Holiday in respect of a Subject Currency, then such date shall be the immediately succeeding Scheduled Trading Day after the occurrence of the Unscheduled Holiday, subject as provided above, and provided that if such Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, has not occurred on or before the EM Maximum Days of Postponement then the next Scheduled Trading Day after such period that would have been a Scheduled Trading Day but for the Unscheduled Holiday shall be deemed to be the relevant date for valuation and the Settlement Price shall be determined by the Calculation Agent on such day in its sole discretion acting in good faith having taken into account relevant market practice and by reference to such additional source(s) as it deems appropriate.

(d) Cumulative Events

If "Cumulative Events" is specified as applicable in the Applicable Transaction Terms in respect of a Settlement Currency then, in no event shall the total number of consecutive calendar days during which a Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day is deferred due to either (i) an Unscheduled Holiday or (ii) an EM Valuation Postponement (or a combination of both (i) and (ii)) exceed the EM Maximum Cumulative Days of Postponement in the aggregate. If a Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, is postponed by the number of calendar days equal to the EM Maximum Cumulative Days of Postponement and at the end of such period (i) an Unscheduled Holiday shall have occurred or be continuing on the day immediately following such period (the "**Final Day**"), then such Final Day shall be deemed to be the Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, and (ii) if a Price Source

Disruption shall have occurred or be continuing on the Final Day, then Valuation Postponement shall not apply and the Settlement Price shall be determined in accordance with the next applicable EM Disruption Fallback.

(e) Postponement of payment or settlement days

Where any Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day is postponed as a consequence of the provisions of this Foreign Exchange (FX) Rate Linked Condition 2, then the corresponding date for payment or delivery of any assets shall fall on the later of (a) the date for such payment or delivery otherwise determined in accordance with the Applicable Transaction Terms and (b) the day falling on the EM Number of Postponement Settlement Days specified in the Applicable Transaction Terms (or, if none are so specified, two Business Days) after the last occurring Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be.

3. Knock-in Event and Knock-out Event

(a) This Foreign Exchange (FX) Rate Linked Condition 3 is applicable only:

- (i)** if "Knock-in Event" is specified as applicable in the Applicable Transaction Terms, in which case any payment under the Notes which is expressed in the Conditions to be subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event; or
- (ii)** if "Knock-out Event" is specified as applicable in the Applicable Transaction Terms, in which case any payment under the Notes which is expressed in the Conditions to be subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.

(b) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Applicable Transaction Terms is the Valuation Time or, as the case may be, EM Valuation Time and if a Disruption Event or an EM Disruption Event would otherwise have occurred on any Knock-in Determination Day or Knock-out Determination Day, then, unless otherwise specified in the Applicable Transaction Terms, such Knock-in Determination Day or Knock-out Determination Day will be deemed not to be a Knock-in Determination Day or Knock-out Determination Day for the purposes of determining the occurrence of a Knock-in Event or a Knock-out Event.

(c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Applicable Transaction Terms is any time or period of time other than the Valuation Time or, as the case may be, EM Valuation Time during the regular trading hours for the Base Currency, Subject Currency and/or Subject Currencies and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one-hour period that begins or ends at the time at which a Knock-in Event or Knock-out Event would otherwise have occurred, a Disruption Event or an EM Disruption Event occurs or exists, then, unless otherwise specified in the Applicable Transaction Terms, the Knock-in Event or the Knock-out Event shall be deemed not to have occurred.

4. Automatic Early Redemption Event

If "Automatic Early Redemption Event" is specified as applicable in the Applicable Transaction Terms, then, unless previously redeemed or purchased and cancelled, if (i) on any Automatic Early Redemption Valuation Date or (ii) in respect of an Automatic Early Redemption Valuation Period, as specified in the Applicable Transaction Terms, an Automatic Early Redemption Event occurs, all but not some only of the Notes will be automatically redeemed on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date or Automatic Early Redemption Period, as applicable, and the Issuer shall redeem each Note at an amount equal to the relevant Automatic Early Redemption Amount.

5. Consequences of an Additional Disruption Event

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may redeem the Notes by giving notice to Noteholders in accordance with Condition 14 (*Notices*). If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note, taking into account the Additional

Disruption Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 14 (*Notices*).

6. Definitions

"Additional Disruption Event" means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the Applicable Transaction Terms.

"AER Value" has the meaning given to it in the Applicable Transaction Terms, being a term defined in Payout Condition 5.2.

"Automatic Early Redemption Amount" means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to the Automatic Early Redemption Payout set out in the applicable Applicable Transaction Terms.

"Automatic Early Redemption Date" means each date specified as such in the Applicable Transaction Terms, or if such date is not a Business Day, the next following Business Day and no Noteholder shall be entitled to any interest or further payment in respect of any such delay.

"Automatic Early Redemption Event" means the AER Value is:

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Automatic Early Redemption Level, (i), (ii), (iii) or (iv) applying as specified in the Applicable Transaction Terms.

"Automatic Early Redemption Level" means the price, level, amount, percentage or value specified as such or otherwise determined in the Applicable Transaction Terms, subject to adjustment in accordance with the provisions set forth in Foreign Exchange (FX) Rate Linked Condition 1 and Foreign Exchange (FX) Rate Linked Condition 2.

"Automatic Early Redemption Payout" is as specified in the applicable Applicable Transaction Terms.

"Automatic Early Redemption Valuation Date" means each date specified as such in the Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day. If any such day is a Disrupted Day, then the Automatic Early Redemption Valuation Date shall be delayed in accordance with the corresponding provisions of the definition of Valuation Date which shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

"Automatic Early Redemption Valuation Period" means the period specified as such in the applicable Applicable Transaction Terms.

"Automatic Early Redemption Valuation Time" has the meaning given to it in the applicable Applicable Transaction Terms.

"Averaging Date" means the dates specified as such in the Applicable Transaction Terms or, if any such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) shall apply, or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

"Base Currency" means the currency specified as such in the Applicable Transaction Terms.

"Change in Law" means that, on or after the Trade Date (as specified in the Applicable Transaction Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes.

"Dual Exchange Rate" means that any of the Base Currency, Subject Currency and/or Subject Currencies, splits into dual or multiple currency exchange rates.

"Disrupted Day" means any Scheduled Trading Day on which the Calculation Agent determines that a Disruption Event or EM Disruption Event has occurred.

"EM Disruption Fallback" means a source or method that may give rise to an alternative basis for determining the Settlement Price when an EM Disruption Event occurs or exists on a day that is an Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day (or, if different, the day on which prices for that date would, in the ordinary course, be published or announced by the EM FX Price Source) being, in respect of a Subject Currency, any of EM Calculation Agent Determination, EM First Fallback Reference Price, EM Second Fallback Reference Price and EM Valuation Postponement, as so specified in the Applicable Transaction Terms for such Subject Currency. Where more than one EM Disruption Fallback is so specified then such EM Disruption Fallbacks shall apply in the order in which they are specified in the Applicable Transaction Terms until the Settlement Price can be determined for such exchange rate relating to that Settlement Currency for such Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day.

Where:

- (a) **"EM Calculation Agent Determination"** means that the Calculation Agent shall determine the Settlement Price taking into consideration all information that it deems relevant.
- (b) **"EM First Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Price by reference to the applicable First Fallback Reference Price and, for which purpose, references in the definition of Settlement Price to "EM FX Price Source", "EM Valuation Time" and "EM Number of Settlement Days" shall be construed, respectively, to be to "First Fallback EM FX Price Source", "First Fallback Valuation Time" and "First Fallback EM Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Applicable Transaction Terms).
- (c) **"EM Second Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Price by reference to the applicable Second Fallback Reference Price and, for which purpose, references in the definition of Settlement Price to "EM FX Price Source", "EM Valuation Time" and "EM Number of Settlement Days" shall be construed, respectively, to be to "Second Fallback EM FX Price Source", "Second Fallback Valuation Time" and "Second

Fallback EM Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Applicable Transaction Terms).

- (d) **"EM Valuation Postponement"** means that the Settlement Price shall be determined on the immediately succeeding Scheduled Trading Day which is not a Disrupted Day unless the Calculation Agent determines that no such Scheduled Trading Day which is not a Disrupted Day has occurred on or before the day falling the EM Maximum Days of Postponement following the originally designated Averaging Date, Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be. In such event, the Settlement Price shall be determined on the next Scheduled Trading Day after the EM Maximum Days of Postponement (notwithstanding the fact that day may be a Disrupted Day) in accordance with the next applicable EM Disruption Fallback.

"EM FX Price Source" means, in respect of a Subject Currency, the price source(s) specified as such in the Applicable Transaction Terms (or any successor to such price source(s) as determined by the Calculation Agent).

"EM Maximum Cumulative Days of Postponement" means the number of days specified as such in the Applicable Transaction Terms or, if no such number is specified, 30 calendar days.

"EM Maximum Days of Postponement" means the number of days specified as such in the Applicable Transaction Terms or, if no such number is specified, 30 calendar days.

"EM Number of Settlement Days" means, in respect of a Subject Currency, the number of days on which commercial banks are open (or, but for the occurrence of an EM Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each Settlement Day Centre specified as such in the Applicable Transaction Terms (each, an **"EM Settlement Day"**). Where no such number or zero is so specified, then such rate shall be for settlement on the same day.

"EM Price Materiality Percentage" means the percentage specified as such in the Applicable Transaction Terms or, if no such percentage is specified, 3%.

"EM Primary Rate" means, in respect of a Subject Currency, the rate specified as such for such Subject Currency in the Applicable Transaction Terms.

"EM Secondary Rate" means, in respect of a Subject Currency, the rate specified as such for such Subject Currency in the Applicable Transaction Terms.

"EM Valuation Time" means, unless otherwise specified in the Applicable Transaction Terms, the time at which the EM FX Price Source publishes the relevant rate or rates from which the Settlement Price is calculated.

"General Inconvertibility" means the occurrence of any event that generally makes it impossible to convert a Subject Currency into the Base Currency in a Subject Currency Jurisdiction through customary legal channels.

"General Non-Transferability" means the occurrence of any event that generally makes it impossible to deliver (A) the Base Currency from accounts inside a Subject Currency Jurisdiction to accounts outside a Subject Currency Jurisdiction or (B) the Subject Currency between accounts inside a Subject Currency Jurisdiction or to a party that is a non-resident of a Subject Currency Jurisdiction.

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

"Hedging Disruption" means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

"Illiquidity Disruption" means the occurrence of any event in respect of any of the Base Currency, Subject Currency and/or Subject Currencies whereby it becomes impossible for the Calculation Agent to obtain a firm quote for such currency in an amount deemed necessary by the Calculation Agent to hedge its obligations under the Notes (in one or more transaction(s)) on the relevant Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day (or, if different, the day on which rates for such Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day would, in the ordinary course, be published or announced by the relevant Price Source or EM FX Price Source).

"Increased Cost of Hedging" means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

"Knock-in Determination Day" means the date(s) specified as such in the Applicable Transaction Terms, or otherwise each Scheduled Trading Day during the Knock-in Determination Period.

"Knock-in Determination Period" means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

"Knock-in Event" means the Knock-in Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-in Level or (B) within the Knock-in Range, (x) on a Knock-in Determination Day, or (y) in respect of any Knock-in Determination Period, as specified in the Applicable Transaction Terms.

"Knock-in Level" means the FX Knock-in Level or the price, level, amount, percentage or value specified as such or otherwise determined in the applicable Applicable Transaction Terms, subject to adjustment in accordance with the provisions set forth in Foreign Exchange (FX) Rate Linked Condition 1(a) and Foreign Exchange (FX) Rate Linked Condition 1(b).

"Knock-in Period Beginning Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-in Period Ending Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-in Range" means the range of levels, prices, amounts, percentages or values specified as such or otherwise determined in the applicable Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions set forth in Foreign Exchange (FX) Linked Condition 1 (*Non-EM Valuation and Disruption Provisions*) or, as the case may be, Foreign Exchange (FX) Linked Condition 2 (*EM Currency Valuation and Disruption Provisions*).

"Knock-in Valuation Time" means the time or period of time on any Knock-in Determination Day specified as such in the Applicable Transaction Terms or in the event that the Applicable Transaction

Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time or, as the case may be, EM Valuation Time.

"Knock-in Value" has the meaning given to it in the Applicable Transaction Terms, being a term defined in Payout Condition 5.2.

"Knock-out Determination Day" means the date(s) specified as such in the Applicable Transaction Terms, or otherwise each Scheduled Trading Day during the Knock-out Determination Period.

"Knock-out Determination Period" means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

"Knock-out Event" means the Knock-out Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-out Level or (B) within the Knock-out Range, (x) on a Knock-out Determination Day or (y) in respect of any Knock-out Determination Period, as specified in the Applicable Transaction Terms.

"Knock-out Level" means the price, level, amount, percentage or value specified as such or otherwise determined in the Applicable Transaction Terms, subject to adjustment in accordance with Foreign Exchange (FX) Linked Rate Condition 1(a) and Foreign Exchange (FX) Rate Linked Condition 1(b).

"Knock-out Period Beginning Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-out Period Ending Date" means the date specified as such in the Applicable Transaction Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Applicable Transaction Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

"Knock-out Range" means the range of levels, prices, amounts, percentages or values specified as such or otherwise determined in the applicable Applicable Transaction Terms, subject to adjustment from time to time in accordance with the provisions set forth in Foreign Exchange (FX) Linked Condition 1 (*Non-EM Valuation and Disruption Provisions*) or, as the case may be, Foreign Exchange (FX) Linked Condition 2 (*EM Currency Valuation and Disruption Provisions*).

"Knock-out Valuation Time" means the time or period of time on any Knock-out Determination Day specified as such in the Applicable Transaction Terms or in the event that the Applicable Transaction Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time or, as the case may be, EM Valuation Time.

"Knock-out Value" means the price, level, amount, percentage or value specified as such or otherwise determined in the Applicable Transaction Terms, subject to adjustment in accordance with Foreign Exchange (FX) Linked Rate Condition 1(a) and Foreign Exchange (FX) Rate Linked Condition 1(b).

"Material Change in Circumstance" means the occurrence of any event (other than those events specified as Disruption Events or, as the case may be, EM Disruption Events) in the Subject Currency Jurisdiction beyond the control of the parties to a hedging arrangement in respect of the Notes which makes it impossible (A) for a party to fulfil its obligations under the hedging arrangement or (B) generally to fulfil obligations similar to such party's obligations under that hedging arrangement.

"Nationalisation" means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives a party to a hedging arrangement in respect of the Notes of all or substantially all of its assets in the Subject Currency Jurisdiction.

"Observation Date" means the dates specified as such in the Applicable Transaction Terms or, if any such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is the Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) shall apply, or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

"Price Materiality" means that, in the determination of the Calculation Agent, the EM Primary Rate differs from any EM Secondary Rate by at least the EM Price Materiality Percentage or if there are insufficient responses on the relevant Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day to any survey used to calculate any such rate, then the EM Price Materiality Percentage will be deemed to be met.

"Price Source" means the published source, information vendor or provider containing or reporting the rate or rates from which the Settlement Price is calculated as specified in the Applicable Transaction Terms.

"Price Source Disruption" means that it becomes impossible to obtain the rate or rates from which the Settlement Price is calculated.

"Relevant Screen Page" means the relevant page specified as such in the Applicable Transaction Terms or any successor to such page or service acceptable to the Calculation Agent.

"Scheduled Trading Day" means:

- (a) where EM Foreign Exchange (FX) Rate Provisions are specified as not applicable in respect of a Subject Currency, a day on which commercial banks are open (or, but for the occurrence of a Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the principal financial centre of each of the Base Currency and the Subject Currency or Subject Currencies. In the case of euro, for these purposes, the principal financial centre shall be deemed to mean each of Frankfurt and Brussels; and
- (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of a Subject Currency, a day on which commercial banks are open (or, but for the occurrence of an EM Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each EM Scheduled Trading Day Jurisdiction specified in the Applicable Transaction Terms provided that where the Subject Currency is BRL, then notwithstanding the foregoing, if the Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day falls on a date that, as the Trade Date, is not a scheduled day on which commercial banks are open (or, but for the occurrence of an EM Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in New York City (an **"NYC Business Day"**), then no adjustment to such date shall be made on account of the fact that such date is not an NYC Business Day.

"Settlement Price" means, subject as referred to in Foreign Exchange (FX) Rate Linked Notes Condition 1 or Foreign Exchange (FX) Rate Linked Notes Condition 1(b) above, as the case may be:

- (a) in the case of Foreign Exchange (FX) Rate Linked Notes relating to a basket of Subject Currencies and in respect of a Subject Currency:

- (i) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Applicable Transaction Terms, the spot rate of exchange appearing on the Relevant Screen Page at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Applicable Transaction Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of such Subject Currency for which one unit of the Base Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on the relevant Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent), multiplied by the relevant Weighting; or
 - (ii) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Applicable Transaction Terms, the rate of exchange appearing on the EM FX Price Source at the EM Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Applicable Transaction Terms, an Averaging Date, for the exchange of such Subject Currency per one unit of the Base Currency for settlement on the EM Number of Settlement Days, multiplied by the relevant Weighting; and
- (b) in the case of Foreign Exchange (FX) Rate Linked Notes relating to a single Subject Currency:
 - (i) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Applicable Transaction Terms, an amount equal to the spot rate of exchange appearing on the Relevant Screen Page at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Applicable Transaction Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of the Subject Currency for which one unit of the Base Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on the relevant Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent); or
 - (ii) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Applicable Transaction Terms, the rate of exchange appearing on the EM FX Price Source at the EM Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Applicable Transaction Terms, the relevant Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Applicable Transaction Terms, an

Averaging Date, for the exchange of such Subject Currency per one unit of the Base Currency for settlement on the EM Number of Settlement Days.

"Settlement Price Date" means the Automatic Early Redemption Valuation Date, Strike Date, Observation Date or Valuation Date, as the case may be.

"Specified Maximum Days of Disruption" means the number of days specified in the Applicable Transaction Terms, or if not so specified, five Scheduled Trading Days.

"Strike Date" means the Strike Date specified in the Applicable Transaction Terms or, if such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) (*Consequences of a Disruption Event*), or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

"Strike Day" means each date specified as such in the applicable Applicable Transaction Terms.

"Strike Period" means the period specified as the Strike Period in the Applicable Transaction Terms.

"Subject Currency" means the currency(ies) specified as such in the Applicable Transaction Terms (together, **"Subject Currencies"**).

"Subject Currency Jurisdiction" means each country for which the relevant Subject Currency is the lawful currency.

"Unscheduled Holiday" means a day that is not a Scheduled Trading Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in the principal financial centre of the Subject Currency two Scheduled Trading Days prior to the relevant scheduled Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day.

"Valid Date" means, in respect of an Averaging Date or an Observation Date or Knock-in Determination Day or Knock-out Determination Day, a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date or Observation Date or Knock-in Determination Day or Knock-out Determination Day, respectively, does not occur.

"Valuation Date" means any Coupon Valuation Date and/or Redemption Valuation Date, as the case may be, specified in the Applicable Transaction Terms or, if such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) shall apply, or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Applicable Transaction Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

"Valuation Time" means, unless otherwise specified in the Applicable Transaction Terms, the time at which the Price Source publishes the relevant rate or rates from which the Settlement Price is calculated.

"Weighting" means, in relation to a Subject Currency, the percentage specified as such in the Applicable Transaction Terms.

ANNEX 6

ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*If specified as applicable in the Applicable Transaction Terms, the terms and conditions applicable to payouts shall comprise the Conditions and the additional terms and conditions for payouts set out below (the "**Payout Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Applicable Transaction Terms and subject to completion in the Applicable Transaction Terms. In the event of any inconsistency between (i) the Conditions and/or any other Annex and (ii) the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the Conditions and/or any other Annex and/or the Payout Conditions and (ii) the Applicable Transaction Terms, the Applicable Transaction Terms shall prevail.*

1. Reference Item Linked Notes

(a) Use of Payout Conditions

These Payout Conditions set out the methodology for determining various payouts and product features in respect of the Notes. The applicable text shown in Payout Conditions 2, 3, 4 and 5 below will be extracted, included and completed at the paragraph indicated in the Applicable Transaction Terms on the basis that (i) applicable text (including, where appropriate, section headings and terms defined in Payout Condition 5 which are required to be completed) from the relevant Payout Condition will be set out at the paragraph indicated in the Applicable Transaction Terms and (ii) inapplicable text (and any terms defined in Payout Condition 5 which are not required to be completed) need not be included.

(b) Use of Terms

Terms in these Payout Conditions or in the Applicable Transaction Terms may be attributed a numerical or letter suffix value when included in the Applicable Transaction Terms. Without limitation, the suffix can be denoted as "j", "k", "m", "q", "n", "t", "i", "A", "B", "C" or "1", "2", "3" etc. and the term may be completed on the basis of the number or numbers represented by "j", "k", "m", "q", "n", "t", "i", "A", "B", "C" or "1", "2", "3" etc. as chosen at the time of an issue of Notes. Moreover suffixes may be placed in series as necessary, such as "A(1)", "B(1)", "C(1)" etc. When applicable and in order to improve the reading and intelligibility of the formula(e) in the Applicable Transaction Terms, the applicable suffixes may be included, completed and the relation between the term and the suffix will be explained and may be presented as a table, if necessary, in the Applicable Transaction Terms. A term in Payout Condition 5 may be included in the applicable Applicable Transaction Terms section more than once if there is more than one number represented by the term "n", "t" or "i". Conjunctions (e.g. or, and, but) and punctuation may also be included where appropriate. Suffixes may denote that a relevant term relates to an asset, item or date associated with that suffix.

The constituent parts of any formula(e) or term(s) used in these Payout Conditions and that are to be specified in the Applicable Transaction Terms may be replaced in the Applicable Transaction Terms by the prescribed amount, level, or percentage or other value or term (the "**Variable Data**"). If a Variable Data has a value of either zero or one, or is not applicable in respect of the relevant formula(e), then the related formula(e) may be simplified, for the purpose of improving the reading and intelligibility in the formula(e) in Applicable Transaction Terms, by deleting such Variable Data.

(c) Note types

The Applicable Transaction Terms will specify the Interest Basis applicable in respect of a Note. Such Notes are, where the Interest Basis is: Equity Linked, an "**Equity Linked Interest Note**"; Inflation Linked, an "**Inflation Linked Interest Note**"; Reference Item Rate Linked, a "**Reference Item Rate Linked Interest Note**"; Fund Linked, a "**Fund Linked Interest Note**"; Credit Linked, a "**Credit Linked Interest Note**"; or Foreign Exchange (FX) Rate Linked, a "**Foreign Exchange (FX) Rate Linked Interest Note**" (each, a "**Reference Item Linked Interest Note**"). The Notes can also bear no interest in which case the Notes will be Zero Coupon Notes.

The Applicable Transaction Terms will specify the Redemption/Payment Basis applicable in respect of a Note. Such Notes are, where the Redemption/Payment Basis is: Equity Linked, an "**Equity Linked Redemption Note**"; Inflation Linked, an "**Inflation Linked Redemption Note**"; Reference Item Rate Linked, a "**Reference Item Rate Linked Redemption Note**"; Fund Linked, a "**Fund Linked**

Redemption Note"; Credit Linked, a **"Credit Linked Redemption Note"**; or Foreign Exchange (FX) Rate Linked, a **"Foreign Exchange (FX) Rate Linked Redemption Note"** (each, a **"Reference Item Linked Redemption Note"**).

2. Interest Rates Payout Formula(e) and Final Payouts for Reference Item Linked Notes

2.1 Interest Rate Payout Formula(e)

For insertion and completion into Paragraph 18(vi) (Rate of Interest) in the Applicable Transaction Terms. Note: where a Rate of Interest is a fixed or floating rate, paragraph 19 or 20 as applicable, in the Applicable Transaction Terms should be completed.

(i) **"Rate of Interest (i)"**

Rate(i)

(ii) **"Rate of Interest (ii)"**

Leverage(i) * Rate(i) + Spread(i)

(iii) **"Rate of Interest (iii)"**

Leverage(i) * Reference Spread(i) + Spread(i)

(iv) **"Rate of Interest (iv)"**

Previous Interest(i) + Leverage(i) * Reference Item Rate(i) + Spread(i)

(v) **"Rate of Interest (v)"**

Leverage(i) * (Coupon Value(i) + Spread(i)) + Constant Percentage(i)

(vi) **"Rate of Interest (vi)"**

Constant Percentage (i) + Max [Floor Percentage ; Leverage * (Coupon Value(i) – Strike Percentage)]

(vii) **"Rate of Interest (vii)"**

Constant Percentage(i) + Min[Cap Percentage; Max [Floor Percentage; Leverage*(Coupon Value(i)) – Strike Percentage]

(viii) **"Rate of Interest (viii)" "Range Accrual"**

$Leverage(i) * (Rate(i) + Spread(i)) * \frac{n}{N}$

(ix) **"Rate of Interest (ix)" "Digital One Barrier":**

(A) If the Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]

[Constant Percentage[1]] [select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph (A) may be different from the interest payout formula for paragraph (B)];

(B) Otherwise:

[zero][Constant Percentage [2]] [select and insert the Interest Payout formula from one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest

(xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph (B) may be different from the interest payout formula for paragraph(A)].

(x) **"Rate of Interest (x)" "Podium":**

(A) If Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]

[Constant Percentage 1][select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"]; or

(B) If Coupon Barrier Condition [2] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period] and Coupon Barrier Condition [1] is not satisfied in respect of [ST Coupon Valuation Date][ST Coupon Valuation Period]:

[Constant Percentage 2] [select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph (B) may be different from the interest payout formula for paragraph(A)];

(C) Otherwise:

[zero] [Constant Percentage 3] [(select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"; for the avoidance of doubt the selected interest payout formula for this paragraph (C) may be different from the interest payout formulae for (A) and (B) respectively].

(The above provisions of paragraph (B) may be duplicated in case more than two Coupon Barriers apply)

(xi) **"Rate of Interest (xi)" "Memory Coupon"**

(A) If the Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date:

Rate(i) + SumRate(i); or

(B) Otherwise, zero.

(xii) **"Rate of Interest (xii)" "Counter"**

Rate(i) * n

(xiii) **"Rate of Interest (xiii) – Variable Counter"**

Rate(n)

(xiv) **"Rate of Interest (xiv)" "Call with Individual Caps"**

$$\text{Max} \left[\text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i, k)]) - \text{StrikePercentage}(i) \right] + \text{ConstantPercentage}(i)$$

(xv) **"Rate of Interest (xv)" "Cappuccino"**

$$\text{Max} \left[\text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{CappuccinoBarrierValue}(i, k)]) - \text{StrikePercentage}(i) \right] + \text{ConstantPercentage}(i)$$

(xvi) **"Rate of Interest (xvi)" "Fixed Best"**

$$\text{Max} \left[\text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{ModifiedValue}(i, k)]) - \text{StrikePercentage}(i) \right]$$

(xvii) **"Rate of Interest (xvii)" "Cliquet"**

$$\text{Max} \left[\sum_{i=1}^T (\text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}, \text{FloorPercentage1}) \right]$$

(xviii) **"Rate of Interest (xviii)" "Cliquet Digital"**

(A) If Cliquet Digital Performance is greater than Constant Percentage 1:

Cliquet Digital Performance; or

(B) If Cliquet Digital Performance is greater than or equal to Constant Percentage 2 and is less than or equal to Constant Percentage 1:

Constant Percentage 1; or

(C) If Cliquet Digital Performance is less than Constant Percentage 2:

Constant Percentage 2.

(xix) **"Rate of Interest (xix)" "Cliquet Digital Lock in"**

$$\text{Max} \left[\text{FloorLockin}; \sum_{i=1}^T (\text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}; \text{FloorPercentage1}) \right]$$

(xx) **"Rate of Interest (xx)" "Digital Coupon One Condition"**

(A) If the Digital Coupon Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]:

Rate A(i); or

(B) if the Digital Coupon Condition 1 is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]:

Rate B(i).

(xxi) **"Rate of Interest (xxi)" "Digital Coupon Two Conditions"**

(A) If the Digital Coupon Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]:

Rate A(i); or

(B) If the Digital Coupon Condition 1 is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period], but the Digital Coupon Condition 2 is satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]:

Rate B(i); or

(C) Otherwise:

Rate C(i).

(xxii) **"Rate of Interest (xxii)" – "TARN"**

(A) In respect of each Interest Period other than the Target Final Interest Period:

[select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"]; and

- (B) In respect of the Target Final Interest Period and provided that an Automatic Early Redemption Event has not occurred:

Final Interest Rate.

(xxiii) **"Rate of Interest (xxiii)" – "Ratchet"**

Min [Cap Percentage; Max [Previous Interest(i); Rate(i)]]

(xxiv) **"Rate of Interest (xxiv)" – "Booster"**

(insert the following if a cap is applicable)

Constant Percentage + Min [Cap Percentage; Max [Floor Percentage, Booster Number * Constant Percentage 2]]

(insert the following if a cap is not applicable)

Constant Percentage + Max [Floor Percentage, Booster Number * Constant Percentage 2]

(xxv) **"Rate of Interest (xxv)"**

Coupon Value (i)

(xxvi) **"Rate of Interest (xxvi)" – "Call Option Interest Rate":**

- (A) in respect of the first Interest Payment Date:

[specify percentage];

- (B) in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Issuer Call is exercised, the percentage specified in the table below in respect of such Interest Payment Date:

Interest Payment Date	Percentage
[specify]	[specify]%
[Repeat as necessary in each row.]	[Repeat as necessary in each row.]

- (C) in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Issuer Call is not exercised, [specify percentage]; or

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

[select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" or "Rate of Interest (xxv)" (inclusive)].

(xxvii) **"Rate of Interest (xxvii)" – "Put Option Interest Rate":**

- (A) in respect of the first Interest Payment Date:

[specify percentage];

- (B) in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Noteholder Put is

exercised, the percentage specified in the table below in respect of such Interest Payment Date:

Interest Payment Date	Percentage
[specify]	[specify]%
[Repeat as necessary in each row.]	[Repeat as necessary in each row.]

(C) in respect of any Interest Payment Date (other than the first Interest Payment Date and the Final Interest Payment Date) in respect of which the Noteholder Put is not exercised, [specify percentage]; or

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

[select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" or "Rate of Interest (xxv)" (inclusive)].

(xxviii) **"Rate of Interest (xxviii) – Lock in"**

(A) If Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][then in respect of the related Interest Payment Date][and provided that [(B)] [or] [(C)] below [is][are] not also satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]]:

[zero][Constant Percentage 1][Rate(i)+SumRate(i)][select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"]

[and in respect of each subsequent Interest Payment Date]:

[zero][Constant Percentage 1][select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"] [; or]

[Otherwise:

[zero][Constant Percentage 1][2][3][4][select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"] [Rate(i)+SumRate(i)].

(B) [Not applicable] If Coupon Barrier Condition [2] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][then (A) above will not apply] and [in respect of the related Interest Payment Date][and each subsequent Interest Payment Date][and provided that [(C)] below [is] not also satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]]:

[zero][Constant Percentage 1][2][3][4][select and insert the interest payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest (xxv)"] [Rate(i)+SumRate(i)] [; for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formula for the above paragraph].

(C) [Not applicable] If Coupon Barrier Condition [3] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][then (A) and (B) above will not apply] [in respect of the related Interest Payment Date][and each subsequent Interest Payment Date]:

[zero][Constant Percentage 1][select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive) or "Rate of Interest

(xxv)"] $[Rate(i)+SumRate(i)]$; for the avoidance of doubt the selected final payout formula for this paragraph may be different from the final payout formulae for (A) and (B) respectively].

[(D) [Provided] [further] [that if no Lock in has occurred] [the Rate of Interest in respect of the Final Interest Payment Date will be [zero][Constant Percentage 4][select and insert the Interest Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (viii)" (inclusive)][$[Rate(i)+SumRate(i)]$; for the avoidance of doubt the selected final payout formula for this paragraph (D) may be different from the final payout formulae for (A), (B) and (C) respectively].

2.2 Final Payouts Formula(e)

For insertion and completion into Paragraph 29 (Final Payout) in the Final Terms

(i) **"Redemption (i)"**

FR Value

(ii) **"Redemption (ii)"**

Constant Percentage + (Leverage * (Strike Percentage - FR Value)) * RI FX Rate

(iii) **"Redemption (iii)"**

Constant Percentage + (Leverage * Max [Floor Percentage; Additional Leverage * (FR Value - Strike Percentage)]) * RI FX Rate

(iv) **"Redemption (iv)"**

Constant Percentage + (Leverage * (Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage * (FR Value - Strike Percentage) + Call Spread Percentage]]) * RI FX Rate

(v) **"Redemption (v)"**

Constant Percentage + (Leverage * Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage - Put Leverage * (FR Value - Strike Percentage)]) * RI FX Rate

(vi) **"Redemption (vi)"**

Constant Percentage + (Leverage * (Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage * FR Value + Call Strike Percentage]])) * RI FX Rate + (Additional Leverage * (Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage - Put Leverage * FR Value]])) * RI FX Rate

(vii) **"Redemption (vii)" "Booster"**

Constant Percentage 1 + (Constant Percentage 2 + Booster Number * Constant Percentage 3) * FR Value

(viii) **"Redemption (viii)" "Digital":**

(A) If Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:

[Constant Percentage 1][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive)][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) Otherwise:

[Constant Percentage 2][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph (B) may be different from the final payout formula for paragraph (A)][no Final Redemption Amount will be payable and Physical Delivery will apply].

(ix) **"Redemption (ix) – Digital with Knock-in"**

- (A) If Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred:

[Constant Percentage 1][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive)][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

- (B) Otherwise:

[Constant Percentage 2][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph (B) may be different from the final payout formula for paragraph (A)][no Final Redemption Amount will be payable and Physical Delivery will apply].

(x) **"Redemption (x)" "Podium":**

- (A) If Final Redemption Condition 1 is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:

[Constant Percentage 1][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive)][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

- (B) If Final Redemption Condition [2] is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and Final Redemption Condition [1] is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]

[Constant Percentage 2][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph (B) may be different from the final payout formula for paragraph (A)][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

- (C) Otherwise:

[Constant Percentage 3][select and insert the final payout formula from any one of "Redemption (i)" to "Redemption (vii) - Booster" (inclusive); for the avoidance of doubt the selected final payout formula for this paragraph (C) may be different from the final payout formula for any of the preceding paragraphs][no Final Redemption Amount will be payable and Physical Delivery will apply].

(The above provisions of (B) may be duplicated in case more than two Final Redemption Condition Levels apply).

(xi) **"Redemption (xi)" "Reverse Knock-in Standard"**

- (A) If no Knock-in Event has occurred:

[Constant Percentage 1][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

- (B) If a Knock-in Event has occurred:

[Min [Constant Percentage 2; FR Value]][no Final Redemption Amount will be payable and Physical Delivery will apply].

(xii) **"Redemption (xii)" "Reverse Knock-in"**

(A) If no Knock-in Event has occurred:

[Constant Percentage 1][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) If a Knock-in Event has occurred:

[Max [Constant Percentage 2 + Leverage * Option; 0]][no Final Redemption Amount will be payable and Physical Delivery will apply].

(xiii) **"Redemption (xiii)" "Knock-in Standard"**

(A) If Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:

[100% + FR Additional Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) If Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred:

[100% + Coupon Airbag Percentage][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(C) If Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and a Knock-in Event has occurred:

[Min [Constant Percentage; FR Value]][no Final Redemption Amount will be payable and Physical Delivery will apply].

(xiv) **"Redemption (xiv)" "Twin Win"**

(Insert the following if a cap is not applicable)

(A) If a Knock-out Event has occurred:

[Constant Percentage 1 + (Max [Floor Percentage; Lever Down * FR Value]) * RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) If no Knock-out Event has occurred:

[Constant Percentage 2 + (Lever Up 1 * Max [Strike Percentage - FR Value; Floor Percentage 1]) * RI FX Rate + (Lever Up 2 * Max [FR Value - Strike Percentage 1; Floor Percentage 2]) * RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]

(Insert the following if a cap is applicable)

(A) If a Knock-out Event has occurred:

[Constant Percentage [1][2][3][4] + (Max [Floor Percentage; Lever Down * FR Value]) * RI FX Rate] [no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) If no Knock-out Event has occurred:

[Constant Percentage [1][2][3][4] + (Lever Up 1 * Max [Strike Percentage – FR Value; Floor Percentage 1]) * RI FX Rate + (Lever Up 2 * Min [Cap Percentage; Max [FR Value – Strike Percentage 1; Floor Percentage 2]]) * RI FX Rate] [no Final Redemption Amount will be payable and Physical Delivery will apply].

(xv) **"Redemption (xv)" "Himalaya "**

$$ConstantPercentage1 + Leverage * Max \left[\frac{1}{TotalM} * \sum_{i=1}^M Max[BestLockValue(i) - StrikePercentage(i); Local Floor Percentage(i)]; 0 \right]$$

(xvi) **"Redemption (xvi)" "Memory"**

Constant Percentage + SumRate(n)

(xvii) **"Redemption (xvii) – Lock in"**

(A) If Lock in has occurred:

[100%][*select and insert the final payout formula from any one of "Redemption (i) to "Redemption (vii) - Booster" (inclusive);* or

(B) If Lock in has not occurred:

[100%][*select and insert the final payout formula from any one of "Redemption (i) to "Redemption (vii) - Booster" (inclusive).*

3. Automatic Early Redemption Amounts

If Automatic Early Redemption is specified as applicable in the Applicable Transaction Terms and an Automatic Early Redemption Event occurs, then:

For insertion into Paragraph 31(iii) (*Automatic Early Redemption Payout*).

(i) If ST Automatic Early Redemption is specified in the Applicable Transaction Terms, the following formula shall be inserted and completed in Automatic Early Redemption Payout:

Calculation Amount * (AER Percentage + AER Additional Rate); or

(ii) If Target Automatic Early Redemption is specified in the Applicable Transaction Terms, the following formula shall be inserted and completed in the Automatic Early Redemption Payout:

Calculation Amount * (100% + Final Interest Rate);

4. Entitlement Amounts for Physical Delivery

For insertion into Paragraph 44 of the Final Terms (*Provisions applicable to Physical Delivery – Entitlement Amount*).

Calculation Amount / (Constant Percentage * Performing RI Strike Price * FX)

The Entitlement Amount will be rounded down to the nearest unit of each Relevant Asset capable of being delivered (the **"Equity Element"**) and in lieu thereof the Issuer will pay a residual amount (the **"Residual Amount"**) equal to:

(Entitlement Amount – Equity Element) * Physical Delivery Price * FX

5. Definitions

5.1 General Definitions

"Additional Leverage" means [*specify percentage*].

"**AER Additional Rate**" means, in respect of a [ST ER Valuation Date] or [ST ER Valuation Period], [the AER Rate][AER Rate DCF][AER Rate MT].

"**AER Percentage**" means [specify percentage].

"**AER Rate**" means [specify rate].

"**AER Rate DCF**" means a percentage calculated as the product of the AER Rate and the applicable Day Count Fraction.

"**AER Rate MT**" means the product of (a) [specify rate] and (b) the number of [Interest Periods][ST Valuation Dates][Automatic Early Redemption Valuation Dates] from the Issue Date to [and including][but excluding] the [Interest Period in which the relevant Automatic Early Redemption Valuation Date falls][the date of the relevant Automatic Early Redemption Valuation Date].

"**AER Reference Item Rate**" means [specify floating rate].

"**AER Value**" means [specify value from Payout Condition 5.2].

"**Barrier Percentage Strike Price**" means [specify percentage].

"**Basket**" means: (a) if the relevant Reference Items are Share Indices, the Share Index Basket (as defined in the Equity Linked Conditions) as specified in the Applicable Transaction Terms; (b) if the relevant Reference Items are Shares, the Share Basket (as defined in the Equity Linked Conditions) as specified in the Applicable Transaction Terms; (c) if the relevant Reference Items are Inflation Indices, a basket composed of each Inflation Index specified in the Applicable Transaction Terms; (d) if the relevant Reference Items are Fund Shares, the Fund Basket (as defined in the Fund Linked Conditions) as specified in the Applicable Transaction Terms; and (e) if the relevant Reference Items are Subject Currencies, a basket composed of each Subject Currency specified in the Applicable Transaction Terms, in each case subject to Weightings.

"**Best Lock Value(i)**" means, in respect of a [ST Valuation Date] [or ST Valuation Period], the highest RI Value on such [ST Valuation Date] [ST Valuation Period] of the Reference Item(s) in Himalaya Basket(i).

"**Booster Level**" means [specify percentage].

"**Booster Number**" means the number of times that the Booster Condition is satisfied.

"**Booster Value**" means, in respect of a ST Valuation Date or ST Valuation Period, [specify defined term from Payout Condition 5.2)].

"**Call Cap Percentage**" means [specify percentage].

"**Call Constant Percentage**" means [specify percentage].

"**Call Floor Percentage**" means [specify percentage].

"**Call Leverage**" means [specify percentage].

"**Call Rate**" means:

$$\text{Constant Percentage(i)} + \text{Leverage(i)} * \text{Max} [\text{Coupon Value(i)} - \text{Strike Percentage(i)} + \text{Spread(i)}; \text{Floor Percentage(i)}]$$

"**Call Spread Rate**" means:

$$\text{Constant Percentage(i)} + \text{Leverage(i)} * \text{Min} [\text{Max} [\text{Coupon Value(i)} - \text{Strike Percentage(i)} + \text{Spread(i)}; \text{Floor Percentage(i)}]; \text{Cap Percentage(i)}]$$

"**Call Spread Percentage**" means [specify percentage].

"**Call Strike Percentage**" means *[specify percentage]*.

"**Cap Percentage[1][2]**" means *[specify percentage]*.

"**Cappuccino Barrier Value**" means:

- (a) if in respect of a ST Valuation Date the Cappuccino Barrier Condition is satisfied, Cap Percentage(i); and
- (b) otherwise, Coupon Barrier Value(i,k).

"**Cliquet Digital Performance**" means, in respect of a [ST Valuation Date][ST Valuation Period]:

$$\sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]]$$

"**Constant Percentage[1][2][3][4]**" means *[specify percentage]*.

"**Coupon Airbag Percentage**" means *[specify percentage]*.

"**Coupon Barrier[1][2][3][4][5]**" means *[specify amount, percentage or number]*.

"**Coupon Barrier Value**" means, in respect of a [ST Coupon Valuation Date] [ST Coupon Valuation Period], [and in respect of [each][of] Reference Item (k=[specify]) to (k=[specify])], *[specify defined term from Payout Condition 5.2]*.

"**Coupon Lock in**" means:

$$\text{Max}_{t=1}^T \left[\sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] \right]$$

"**Coupon Value**" means, in respect of a ST Coupon Valuation Date or ST Coupon Valuation Period, *[specify defined term from Payout Condition 5.2]*.

"**Current Interest Period**" means, in respect of an Automatic Early Redemption Valuation Date, the Interest Period during which such Automatic Early Redemption Valuation Date falls.

"**EDS**" means $\text{Max} [\text{Floor Percentage}; \text{Min} [\text{Constant Percentage } 3 - \text{nEDS} \times \text{Loss Percentage}; 0]]$.

"**EDS Barrier Percentage**" means *[specify percentage]*.

"**Entitlement Value**" means [the Reference Item][the Worst Value][the Best Value].

"**Final Coupon Rate**" means the Rate of Interest calculated in respect of the [Current Interest Period][Target Final Interest Period] (the "**Final Interest Period**").

"**Final Day Count Fraction**" means the Day Count Fraction applicable to the Final Interest Period.

"**Final Interest Rate**" means *[insert one of the following][specify][zero]*

[If capped and guaranteed:] [the AER Percentage][Target Coupon Percentage] less Paid Coupon Percentage.]

[If not capped or guaranteed:] [the Final Coupon Rate multiplied by the Final Day Count Fraction.]

[If capped only:] [Min [Final Coupon Rate * Final Day Count Fraction; AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].]

[If guaranteed only:] [Max [Final Coupon Rate * Final Day Count Fraction; AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].]

"Final Redemption Condition Level [1][2][3][4]" means *[specify amount or percentage or number]*.

"Final Redemption Value" means, in respect of a [ST Valuation Date][ST Valuation Period]*[specify defined term from Payout Condition 5.2]*.

"Fixed Best Percentage" means *[specify percentage]*.

"Floor Lock in" means Constant Percentage [1] multiplied by the integer number resulting from the quotient of the Coupon Lock in and Constant Percentage [1].

"Floor Percentage [1][2]" means *[specify percentage]*.

"Forward" means FR Value – Strike Percentage.

"FR Additional Rate" means [FR Rate][FR MT up Rate][FR Rate DCF][FR Rate MT].

"FR Cap Percentage" means *[specify percentage]*.

"FR Condition Level" means *[specify percentage, amount or number]*.

"FR Constant Percentage" means *[specify percentage]*.

"FR Floor Percentage" means *[specify percentage]*.

"FR Leverage" means *[specify percentage]*.

"FR MT up Rate" means:

- (a) *[insert if cap is applicable]* [Min [Max [FR Floor Percentage; FR Leverage * (FR Value - FR Strike Percentage) + FR Spread]; FR Cap Percentage] + FR Constant Percentage].]
- (b) *[insert if cap is not applicable]* [Max [FR Floor Percentage; FR Leverage * (FR Value - FR Strike Percentage) + FR Spread + FR Constant Percentage].]

"FR Rate" means *[specify rate]*.

"FR Rate DCF" means a percentage calculated as the product of the FR Rate and the applicable Day Count Fraction.

"FR Rate MT" means the product of (a) *[specify rate]* and (b) the number of [Interest Periods][ST Valuation Dates] from and including the Issue Date to [and including][but excluding] the [Interest Period in which the relevant ST Valuation Date falls][date of the relevant ST Valuation Date].

"FR Spread" means *[specify percentage]*.

"FR Strike Percentage" means *[specify percentage]*.

"FR Value" means, in respect of a [ST FR Valuation Date] or [ST FR Valuation Period], *[specify defined term from Payout Condition 5.2]*.

"FX" is the relevant RI FX Level(i) on the relevant ST Valuation Date or if that is not a Business Day the immediately succeeding Business Day.

"Himalaya Basket(i)" means, in respect of a ST Valuation Date(i), a Basket comprising each Reference Item in Himalaya Basket(i-1) but excluding the Reference Item in relation to Best Lock Value(i-1).

"K" means *[specify number]*, being the total number of Reference Items in the Basket.

"Lever Down" means *[specify percentage]*.

"Leverage" means *[specify percentage]*.

"**Lever Up [1][2]**" means *[specify percentage]*.

"**Local Floor Percentage**" means *[specify percentage]*.

"**Lock in**" will have occurred if "(xxviii) **Rate of interest (xxviii) – Lock in**" (A) has been satisfied provided that (B) or (C) are not also satisfied".

"**Loss Percentage**" means *[specify percentage]*.

"**M**" means a series of ST Valuation Dates or ST Valuation Periods.

"**Max**" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a semi-colon inside those brackets.

"**Min**" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a semi-colon inside those brackets.

"**Min Coupon**" means *[specify percentage]*.

"**Modified Value(i,k)**" means:

- (a) if the Coupon Value(i,k) is one of the nfixed greatest value in the basket of the Reference Items, the Fixed Best Percentage; and
- (b) otherwise, Coupon Value(i,k).

"**n**" means:

- (a) in respect of "Rate of Interest (xiii) – Counter", in respect of a ST Coupon Valuation Date, the number calculated as: the number of ST Coupon Valuation Dates (in the period from the Issue Date to and including such ST Coupon Valuation Date) on which the Barrier Count Condition is satisfied; and
- (b) in respect of "Rate of Interest (ix) – Range Accrual", in respect of a ST Coupon Valuation Date, the number of Range Accrual Days in the relevant Range Period on which the [Range Accrual Coupon Condition][Range Accrual Countdown Condition] is satisfied.

"**N**" means:

- (a) in respect of "Rate of Interest (xiv) – Variable Counter" and in respect of "Rate of Interest (xvii) – Podium", *[specify number]* being the maximum number of times that the Barrier Count Condition may be satisfied from [and including] the Issue Date to [but excluding] the Maturity Date; and
- (b) in respect of "Rate of Interest (ix) Range Accrual", for each ST Coupon Valuation Date, the total number of Range Accrual Days in the relevant Range Period.

"**nEDS**" means the number of Reference Items in the Basket in respect of which the FR Value is [less than or equal to][less than] EDS Barrier Percentage.

"**nfixed**" means *[specify number]*.

"**Option**" means [Put][Put Spread][EDS][Forward].

"**Paid Coupon Percentage**" means, in respect of an Automatic Early Redemption Valuation Date or Target Determination Date, the sum of the values calculated for each Interest Period as the product of (i) the Rate of Interest and (ii) the Day Count Fraction, in each case for such Interest Period preceding the Current Interest Period (in the case of an Automatic Early Redemption Valuation Date) or the Target Final Interest Period (in the case of a Target Determination Date).

"**Physical Delivery Price**" means, in respect of a ST Valuation Date, the RI Closing Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date.

"Previous Interest" means, in respect of a ST Coupon Valuation Date, the Rate of Interest determined on the ST Coupon Valuation Date immediately preceding such ST Coupon Valuation Date or, in respect of the first ST Coupon Valuation Date, zero.

"Put" means $\text{Max} [\text{Strike Percentage} - \text{FR Value}; 0]$.

"Put Cap Percentage" means *[specify percentage]*.

"Put Constant Percentage" means *[specify percentage]*.

"Put Floor Percentage" means *[specify percentage]*.

"Put Leverage" means *[specify percentage]*.

"Put Spread" means $\text{Min} [\text{Max} [\text{Strike Percentage} - \text{FR Value}; 0]; \text{Cap Percentage}]$.

"Put Strike Percentage" means *[specify percentage]*.

"RA Barrier [1][2][3][4]" means in respect of a Reference Item, *[specify percentage]*.

"RA Barrier Value" means, *[specify value from Payout Condition 5.2]* in respect of an ST Coupon Valuation Date and a Reference Item, the *[specify defined term from Payout Condition 5.2]* the Reference Spread].

"Ranking" means, in respect of a ST Valuation Date, the ordinal positioning of each Reference Item by RI Value from lowest RI Value to greatest RI Value in respect of such ST Valuation Date.

"Rate[(i)] [A][B][C]" means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period], *[specify fixed rate][specify floating rate determined on the basis set out in item 20 of the Applicable Transaction Terms][+/-][specify margin%][the Call Rate][the Call Spread Rate][Inflation Rate]*.

"Rate(n)" (from n=1 to n=N) means:

- (a) in respect of "Rate of Interest (xiv) – Variable Counter" on any ST Coupon Valuation Date, the rate specified in the Applicable Transaction Terms and associated with the number of times that Barrier Count Condition is satisfied on the relevant ST Coupon Valuation Date; and
- (b) in respect of "Redemption (xvii) – Memory" on any ST Coupon Valuation Date, the rate specified in the Applicable Transaction Terms and associated with the number of Reference Items in the Basket for which the Podium Condition is satisfied on the relevant ST Coupon Valuation Date.

"Reference Item [1][2]....[N]" means the asset or reference basis specified as such in the Applicable Transaction Terms.

"Reference Item Rate [1][2]" means, in respect of a ST Valuation Date, a ST Coupon Valuation Date or a ST Coupon Valuation Period, the relevant Rate of Interest determined pursuant to Condition 5(b). For this purpose, references in Condition 5(b) to the applicable Rate of Interest being determined for each Interest Period shall be construed to be to such Rate of Interest being determined for the applicable ST Valuation Date, ST Coupon Valuation Date or, as the case may be, ST Coupon Valuation Period. The publication requirements set out in Condition 5(b)(x) shall not apply where the Rate of Interest is a Reference Item Rate only.

"Reference Spread [1][2]" means Reference Item Rate [1][2] minus Reference Item Rate [1][2]. *[NB Complete Reference Item Rates 1 and 2 to reflect ISDA Determination for relevant CMS rates. Repeat for further Reference Spread(s) as necessary]*

"RI Weighting" means, in respect of a Reference Item, *[specify number, amount or percentage]*.

"Spread" means *[specify percentage]*.

"Strike Percentage [1][2]" means *[specify percentage]*.

"Sum Rate" means, in respect of each ST Coupon Valuation Date, the sum of all previous Rates for each ST Coupon Valuation Date since (but not including) the last occurring date on which the relevant Barrier Count Condition was satisfied (or if none the Issue Date).

"Sum Rate(n)" means the sum of the Rate(n) determined on the ST FR Valuation Date.

"T" means: *[specify number]*, being the total number of ST Coupon Valuation Dates from and including the Issue Date to but excluding the Maturity Date as specified in the Applicable Transaction Terms.

"Target Coupon Percentage" means *[specify percentage]*.

"Total M" means: *[specify number]*, being the total number of [ST Valuation Dates][ST Valuation Periods] for the Notes.

"Weighting" means *[specify in relation to each Reference Item comprising the Basket]*.

5.2 Value Definitions

"Accumulated Coupon" means, in respect of an Automatic Early Redemption Valuation Date, the sum of the values calculated for each Interest Period including the Current Interest Period as the product of (i) the Rate of Interest and (ii) the Day Count Fraction, in each case for such Interest Period.

"Average Basket Value" means, in respect of a ST Valuation Period, the arithmetic average of the Basket Values on each ST Valuation Date in such ST Valuation Period.

"Average Best Value" means, in respect of a ST Valuation Period, the arithmetic average of the Best Values on each ST Valuation Date in such ST Valuation Period.

"Average Rainbow Value" means, in respect of a ST Valuation Period, the arithmetic average of the Rainbow Values on each ST Valuation Date in such ST Valuation Period.

"Average RI Value" means, in respect of a Reference Item and a ST Valuation Period, the arithmetic average of the RI Values for such Reference Item on each ST Valuation Date in such ST Valuation Period.

"Average Worst Value" means, in respect of a ST Valuation Period, the arithmetic average of the Worst Values on each ST Valuation Date in such ST Valuation Period.

"Barrier Initial Average Price" means an amount equal to the product of (x) the arithmetic average of the RI Closing Values for a Reference Item on each Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.

"Barrier Initial Price" means a price equal to the product of (x) the RI Closing Value for a Reference Item on the Strike Date and (y) the Barrier Percentage Strike Price.

"Barrier Initial Maximum Price" means a price equal to the product of (x) the greatest RI Closing Value for a Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.

"Barrier Initial Minimum Price" means an amount equal to the product of (x) the lowest RI Closing Value for such Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.

"Basket Performance" means in respect of a ST Valuation Date, (a) the Basket Value in respect of such day minus (b) 100%.

"Basket Value" means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the RI Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.

"Basket Intraday Value" means, in respect of a ST Valuation Date [and any time at which a value for all the Reference Items in the Basket is calculated], the sum of the values calculated for each Reference

Item in the Basket at such time as (a) the RI Intraday Value for such Reference Item is calculated in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.

"Best Intraday Value" means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the highest or equal highest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date.

"Best Value" means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the highest or equal highest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date.

"FX Average Level" means the arithmetic average of the RI FX Levels for a Reference Item on each Strike Day in the Strike Period.

"FX Closing Level" means the RI FX Level for a Reference Item on the Strike Date.

"FX Maximum Level" means the greatest RI FX Level for a Reference Item on any Strike Day in the Strike Period.

"FX Minimum Level" means the lowest RI FX Level for a Reference Item on any Strike Day in the Strike Period.

"FX Value" means, in respect of a Reference Item and any day either: (i) the RI FX Level for such day divided by the RI FX Strike Level; or (ii) the RI FX Strike Level divided by the RI FX Level for such day, as specified in the Applicable Transaction Terms.

"Highest Basket Value" means, in respect of a ST Valuation Period, the highest or equal highest Basket Value on any ST Valuation Date in such ST Valuation Period.

"Highest Best Intraday Value" means, in respect of a ST Valuation Period, the highest or equal highest Best Intraday Value on any ST Valuation Date in such ST Valuation Period.

"Highest Best Value" means, in respect of a ST Valuation Period, the highest or equal highest Best Value on any ST Valuation Date in such ST Valuation Period.

"Highest Rainbow Value" means, in respect of a ST Valuation Period, the highest or equal highest Rainbow Value on any ST Valuation Date in such ST Valuation Period.

"Highest RI Intraday Value" means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.

"Highest RI Value" means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.

"Highest Worst Value" means, in respect of a ST Valuation Period, the highest or equal highest Worst Value on any ST Valuation Date in such ST Valuation Period.

"Inflation Rate" means, in respect of a [ST Valuation Date][ST Valuation Period][*specify defined term from Payout Condition 5.2 for a Reference Item which is an Inflation Index*].

"Initial Average Price" means for a Reference Item, the arithmetic average of the RI Closing Value for a Reference Item on each Strike Day in the Strike Period.

"Initial Closing Price" means the RI Closing Value of a Reference Item on the Strike Date.

"Initial Maximum Price" means the highest RI Closing Value for a Reference Item on any Strike Day in the Strike Period.

"Initial Minimum Price" means the lowest RI Closing Value for a Reference Item on any Strike Day in the Strike Period.

"Intraday Level" means, in respect of a Share Index and subject to the Equity Linked Conditions, an amount equal to the level (which shall be deemed to be an amount in the currency of the Share Index) of such Share Index as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchanges, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date [multiplied by the FX Value]

"Intraday Price" means, in respect of: (i) a Share or a Fund Share and subject to the Equity Linked Conditions or the Fund Linked Conditions, as applicable, an amount equal to the price of such Share or Fund Share quoted on the relevant Exchange as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date [multiplied by the FX Value]; and (ii) a Subject Currency and subject to the Foreign Exchange (FX) Rate Conditions, a rate determined by reference to the definition of Settlement Price in the Foreign Exchange (FX) Conditions by the Calculation Agent and for such purpose the applicable Valuation Time shall be any relevant time on the relevant ST Valuation Date.

"Inverse Performance" means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Inverse Value in respect of such day minus (b) 100% [and multiplied by (c) the FX Value].

"Lowest Basket Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Basket Value on any ST Valuation Date in such ST Valuation Period.

"Lowest Best Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Best Value on any ST Valuation Date in such ST Valuation Period.

"Lowest Rainbow Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Rainbow Value on any ST Valuation Date in such ST Valuation Period.

"Lowest RI Intraday Value" means, in respect of a Reference Item and a ST Valuation Period, the lowest or equal lowest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.

"Lowest RI Value" means, in respect of a Reference Item and a ST Valuation Period, the lowest or equal lowest RI Value for such Reference Item for all the ST Valuation Dates in such ST Valuation Period.

"Lowest Worst Intraday Value" means, in respect of a ST Valuation Period, the lowest Worst Intraday Value on any ST Valuation Date in such ST Valuation Period.

"Lowest Worst Value" means, in respect of a ST Valuation Period, the lowest or equal lowest Worst Value on any ST Valuation Date in such ST Valuation Period.

"Performance" means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Value for such Reference Item in respect of such day minus (b) 100% [, and multiplied by (c) the FX Value]

"Performing RI Strike Price" means, in respect of a ST Valuation Date, the RI Initial Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date.

"Rainbow Value" means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the Ranked Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.

"Ranked Value" means, in respect of a ST Valuation Date, the RI Value in respect of the Reference Item with the [first][second][specify] Ranking in respect of such ST Valuation Date.

"Restrike Performance" means, in respect of a Reference Item and a ST Valuation Date (a) (i) the RI Closing Value for such Reference Item in respect of such day divided by (ii) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or if none, the Strike Date (b) less 100%[, and multiplied by (c) the FX Value]

"RI Average Value" means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of [(a)] the RI Closing Value for such Reference Item in respect of each [set of] Averaging Date[s] specified in relation to such ST Valuation Date [multiplied by (b) the FX Value].

"RI Closing Value" means, in respect of a Reference Item and a ST Valuation Date:

- (a) if the relevant Reference Item is a Share Index, the Settlement Level (as defined in the Equity Linked Conditions);
- (b) if the relevant Reference Item is a Share, the Settlement Price (as defined in the Equity Linked Conditions);
- (c) if the relevant Reference Item is an Inflation Index, the Relevant Level (as defined in the Inflation Linked Conditions);
- (d) if the relevant Reference Item is a Fund Share of an ETF, the Settlement Price (as defined in the Fund Linked Conditions);
- (e) if the relevant Reference Item is a Fund, the NAV per Fund Share (as defined in the Fund Linked Conditions);
- (f) if the relevant Reference Item is a Subject Currency, the Settlement Price (as defined in the Foreign Exchange (FX) Rate Linked Conditions);
- (g) if the relevant Reference Item is a rate of interest, the Reference Item Rate; and
- (h) if the relevant Reference Item is a Reference Spread, the Reference Spread,

in each case on such ST Valuation Date.

"RI Composite Value" means, in respect of a Reference Item and a ST Valuation Date, the [highest or equal highest of][lowest or equal lowest of][arithmetic average of] the RI Average Values in respect of such ST Valuation Date.

"RI FX Level" means, for the purpose of converting an amount in respect of a Reference Item into the Specified Currency on [specify date(s)] [insert relevant rate and, if applicable, observation time][(or any successor to such page or service) or if it is not reasonably practicable to determine the RI FX Level from such source, the RI FX Level will be determined by the Calculation Agent as the rate it determines would have prevailed but for such impracticability by reference to such source(s) as it deems appropriate the rate at which the Calculation Agent determines the relevant Reference Item amount could be converted into the Specified Currency (expressed as the Calculation Agent determines appropriate) at or about the time and by reference to such source(s) as the Calculation Agent deems appropriate.

"RI FX Rate" means (i) the RI FX Level, (ii) the FX Value or (iii) the number, as specified in the applicable Applicable Transaction Terms.

"RI FX Strike Level" means, in respect of a Reference Item, [specify rate][FX Closing Level][FX Maximum Level][FX Minimum Level][FX Average Level].

"RI Growing Average Value" means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of [(a)][(i)] the RI Closing Value for such Reference Item in respect of each Averaging Date[s] specified in relation to such ST Valuation Date on which the RI Closing Value is [equal to or][higher than] the RI Closing Value in respect of the immediately preceding Averaging Date or if none, the RI Initial Value, divided by [(ii)] the relevant RI Initial Value [multiplied by (b) the FX Value].

"RI Initial Value" means, in respect of a Reference Item, [specify price] [Initial Closing Price] [Initial Maximum Price] [Initial Minimum Price][Initial Average Price] [Barrier Initial Price] [Barrier Initial Maximum Price] [Barrier Initial Minimum Price] [Barrier Initial Average Price].

"RI Intraday Level" means:

- (a) if the relevant Reference Item is a Share Index, the Intraday Level; or
- (b) if the relevant Reference Item is a Share or a Fund Share or a Subject Currency, the Intraday Price.

"RI Intraday Value" means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the RI Intraday Level for such Reference Item in respect of such ST Valuation Date (ii) divided by the relevant RI Initial Value [multiplied by (b) FX Value].

"RI Inverse Value" means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the RI Initial Value divided by (ii) the [RI Closing Value][RI Average Value] for such Reference Item in respect of such ST Valuation Date [multiplied by (b) the FX Value].

"RI Restrike Value" means, in respect of a Reference Item and a ST Valuation Date (a) the RI Closing Value for such Reference Item in respect of such ST Valuation Date divided by (b) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or if none, the Strike Date.

"RI Value" means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the [RI Closing Value][RI Average Value] for such Reference Item in respect of such ST Valuation Date, divided by (ii) the relevant RI Initial Value [multiplied by (b) the FX Value].

"Worst Intraday Value" means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the lowest or equal lowest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date.

"Worst Inverse Value" means, in respect of ST Valuation Date, the RI Inverse Value for the Reference Item(s) with the lowest or equal lowest RI Inverse Value for any Reference Item in the Basket in respect of such ST Valuation Date.

"Worst Value" means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the lowest or equal lowest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date.

5.3 Dates and Periods

Payments of interest and principal on the Notes may be associated with ST Valuation Dates and/or ST Valuation Periods, as the case may be, as specified in the Applicable Transaction Terms. For the avoidance of doubt, several set of dates may be used for the determination and calculation of a particular payout.

"Final Interest Payment Date" means the Maturity Date.

"Range Accrual Cut-Off Date" means [in respect of [each][a] Reference Item [(k)] and] [in respect of any [Range Period] *[specify other period]* [the][each] date specified as such in the Applicable Transaction Terms] or, otherwise, the date falling *[specify number]* [calendar days] [Business Days] [Scheduled Trading Days [as defined in the *[specify]* Conditions] *[specify other]* before the [Range Period End Date] *[specify other]*].

"Range Accrual Day" means [an Exchange Business Day][a Scheduled Trading Day][a Business Day][an Interest Determination Date][a calendar day][an Observation Date]*[specify]*.

"Range Period" means *[specify period]*[each][the][Interest Period] [and the final date of each such period, the **"Range Period End Date"**].

"ST Coupon Valuation Date(s)" means each [Averaging Date][Strike Date][Interest Determination Date][Interest Payment Date][Determination Date][Knock-in Determination Day][Knock-out Determination Day][Settlement Level Date][Settlement Price Date][Valuation Date][Range Accrual Day] [and] [Range Period End Date].

"ST Coupon Valuation Period" means [the period from and including *[specify]* to and including *[specify]*][each][the][Interest Period][Range Period].

"ST ER Valuation Date" means each [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day].

"ST ER Valuation Period" means the period from and including [*specify*] to and including [*specify*].

"ST FR Valuation Date" means each [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day].

"ST FR Valuation Period" means the period from and including [*specify*] to and including [*specify*].

"ST Redemption Valuation Date" means each [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day].

"ST Redemption Valuation Period" means the period from and including [*specify*] to and including [*specify*].

"ST Valuation Date" means each [Coupon Valuation Date][Strike Date][Redemption Valuation Date][ST Coupon Valuation Date][ST ER Valuation Date][ST FR Valuation Date][ST Redemption Valuation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day][Range Accrual Day].

"ST Valuation Period" means each [ST Coupon Valuation Period][ST ER Valuation Period][ST FR Valuation Period][ST Redemption Valuation Period][Automatic Early Redemption Valuation Period][Knock-in Determination Period][Knock-out Determination Period].

"Target Determination Date" means [*specify date(s)*].

"Target Final Interest Period" means the Interest Period ending on but excluding the Maturity Date.

5.4 Conditional Conditions

If one or more conditions defined below are applicable for the determination and calculation of a payout formula(e), the definition shall be inserted, completed and adjusted in the Applicable Transaction Terms in order to take into account any value definitions in Payout Condition 5.2, relevant Date(s) and or Periods, and/or other Variable Data.

"Barrier Count Condition" shall be satisfied if, in respect of a ST Coupon Valuation Date, the Coupon Barrier Value on such ST Coupon Valuation Date, as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier.

"Booster Condition" shall be satisfied if, in respect of a [ST Valuation Date][ST Valuation Period], the Booster Value [on each Observation Date in respect of such [ST Valuation Date][in respect of such ST Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Booster Level.

"Cappuccino Barrier Condition" means, in respect of a ST Valuation Date, that the Coupon Barrier Value on such ST Valuation Date, as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Coupon Barrier.

"Coupon Barrier Condition [1][2][3][4]" means, in respect of [a ST Valuation Date][a ST Valuation Period], that the Coupon Barrier Value on such [ST Valuation Date][ST Valuation Period], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier [1][2][3][4] [but is][greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier [1][2][3][4][5].

"Digital Coupon Condition 1" means:

- (a) in respect of Reference Item 1, that the Coupon Barrier Value for Reference Item 1 for the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] is [(i)] [greater than][less

than][equal to or greater than][less than or equal to], the Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 2][*insert (ii) if a Coupon Barrier 2 is specified*]; and

- (b) in respect of Reference Item 2, that the Coupon Barrier Value for Reference Item 2 for the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to], the Coupon Barrier 2][*insert (ii) if a Coupon Barrier 2 is specified*]][*insert (b) if Reference Item 2 is specified*].

"Digital Coupon Condition 2" means:

- (a) in respect of Reference Item 1, that the Coupon Barrier Value for Reference Item 1 for the relevant [ST Coupon Valuation Date] [ST Coupon Valuation Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 3 [and (ii) [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 4][*insert (ii) if a Coupon Barrier 4 is specified*]; and
- (b) in respect of Reference Item 2, that the Coupon Barrier Value for Reference Item 2 for the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier 3 [and (ii) [greater than][less than][equal to or greater than][less than or equal to], the Coupon Barrier 4][*insert (ii) if a Coupon Barrier 4 is specified*]][*insert (b) if Reference Item 2 is specified*].

"Final Redemption Condition" means, in respect of a [ST Valuation Date][ST Valuation Period], that the Final Redemption Value [on such ST Valuation Date][in respect of such ST Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level.

"Final Redemption Condition 1" means, in respect of a [ST Valuation Date][ST Valuation Period], that the Final Redemption Value [on such ST Valuation Dates] [in respect of such ST Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level 1.

"Final Redemption Condition 2" means, in respect of a [ST Valuation Date] [ST Valuation Period] that the Final Redemption Value on such [ST Valuation Date] [in respect of such ST Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level 1[, but is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level 2.]

"Lock in" will have occurred if "(xxviii) **"Rate of interest (xxviii) – Lock in"** (A) has been satisfied provided that (B) or (C) are not also satisfied".

"Podium Condition" shall be satisfied if, in respect of a Reference Item and a ST Valuation Date, the Final Redemption Value for such Reference Item on such ST Valuation Date, as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Final Redemption Condition Level.

"Range Accrual Countdown Condition" [, subject as provided below,] will be deemed satisfied if, in respect of each Range Accrual Day in [the][relevant] Range Period [(n)][from and including [*specify*] to [and including][but excluding] [*specify*] for [each] Reference Item (k=[*specify*)]], the Coupon Barrier Value for such Reference Item in respect of each such Range Accrual Day is [(i)] [greater than][less than][equal to or greater than][equal to or less than] the relevant [Upper][Lower] Coupon Barrier [*specify number*][and (ii) [greater than][less than][equal to or greater than][equal to or less than] the relevant [Upper][Lower] Coupon Barrier [*specify number*](*insert (ii) if a Coupon Barrier [*specify number*] is specified*) [as specified in the table below]:

(Replicate and complete the above definition multiple times as necessary or complete the below table)

Range Period	From (and	To (but	Applicable Reference Item	[Lower] Coupon	[Upper] Coupon

n	including)	excluding)	(k)	Barrier	Barrier]
[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][%]	[specify][%]
[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]

Specific Provisions for Range Accrual Countdown Condition:

[In respect of [each] Reference Item (k) and] a Range Accrual Day [(other than a Range Accrual Stub Day)] which is not a [Business Day [for such Reference Item [(k)]]][Scheduled Trading Day or is a Disrupted Day][specify] for such Reference Item [(k)], the Coupon Barrier Value for such Reference Item [(k)] on such day shall be the Coupon Barrier Value for such Reference Item [(k)] on the immediately preceding [Business Day[for such Reference Item [(k)]]][Scheduled Trading Day that was not a Disrupted Day][specify]. [The above provisions with regard to the consequences of a Disrupted Day or a day not being a Scheduled Trading Day will prevail over consequences provided for in any applicable Annex.]

[In respect of [each] Reference Item (k) and the relevant Range Period, the Coupon Barrier Value in respect of such Reference Item [(k)] for each Range Accrual Day after the relevant Range Accrual Cut-Off Date to (and excluding) the Range Period End Date (each a "**Range Accrual Stub Day**") will be deemed to be the Coupon Barrier Value as of such Range Accrual Cut-off Date.]

"Range Accrual Coupon Condition" [subject as provided below] will be deemed satisfied if:

- (a) in respect of Reference Item (k=1), that the Coupon Barrier Value for such Reference Item for the relevant Range Accrual Day [in the applicable Range Period] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the relevant Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to], the relevant Coupon Barrier 2](insert (ii) if a Coupon Barrier 2 is specified); and
- (b) [in respect of Reference Item(k=n), that the Coupon Barrier Value for such Reference Item for the relevant Range Accrual Day [in the applicable Range Period [(n)]]from and including [specify] to [and including][but excluding][[specify] [for [each] Reference Item (k=[specify]])] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the relevant [Upper][Lower] Coupon Barrier [insert number] and [(ii) [greater than][less than][equal to or greater than][less than or equal to], the relevant [Upper][Lower] Coupon Barrier [insert number]](insert (ii) if a Coupon Barrier [insert number] is specified)] [as specified in the table below](insert this paragraph (b) if Reference Item(k=n) is specified).

Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier]
[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][%]	[specify][%]

[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]

Specific Provisions for Range Accrual Coupon Condition:

[In respect of [each] Reference Item (k) and] a Range Accrual Day [(other than a Range Accrual Stub Day)] which is not a [Business Day [for such Reference Item [(k)]]][Scheduled Trading Day which is not a Disrupted Day][*specify*] for such Reference Item [(k)], the Coupon Barrier Value for such Reference Item [(k)] on such day shall be the Coupon Barrier Value for such Reference Item [(k)] on the immediately preceding [Business Day [for such Reference Item [(k)]]][Scheduled Trading Day that was not a Disrupted Day][*specify*]. [The above provisions with regard to the consequences of a Disrupted Day or a day not being a Scheduled Trading Day will prevail over consequences provided for in any applicable Annex.]

[In respect of [each] Reference Item (k) and the relevant Range Period, the Coupon Barrier Value in respect of such Reference Item [(k)] for each Range Accrual Day after the relevant Range Accrual Cut-off Date to (but excluding) the Range Period End Date (each a "**Range Accrual Stub Day**") will be deemed to be the Coupon Barrier Value as of such Range Accrual Cut-off Date.]

(Repeat any of the above paragraphs where relevant in relation to each Reference Item)

5.5 Enumeration Convention

Without prejudice to any other provision of these Payout Conditions and as a general rule the following suffixes in relation to the payout terms will be used. Other suffix terms may be selected and may be included in the Applicable Transaction Terms with other definitions or provisions from the Payout Conditions:

"**i**" [from i = [*specify*] to i = [*specify*]] or "**m**" [from m = [*specify*] to m = [*specify*]] in relation to the relevant ST Valuation Date or ST Valuation Period.

"**j**" [from j = [*specify*] to j = [*specify*]] means the relevant Strike Date.

"**k**" [from k = [*specify*] to k = [*specify*]] means the relevant Reference Item.

"**q**" [from q = [*specify*] to q = [*specify*]] or "**t**" [from t = [*specify*] to t = [*specify*]] means the relevant Observation Date or ST Valuation Date.

Any of these suffixes will be inserted, completed and explained, if necessary, in the Applicable Transaction Terms and may be tabulated, especially where two or more suffixes apply.

[each date specified as such below [*set out relevant table*]:

k	ST Valuation Date	[Set(s) of] Averaging Dates
[<i>specify</i>]	[<i>insert date</i>]	Set n: [<i>insert dates or describe dates. E.g. "The last [specify] Scheduled Trading Days of [month, year]" [Repeat as necessary for each set n]</i>]
[<i>Repeat as necessary in each row</i>]	[<i>Repeat as necessary in each row.</i>]	[<i>Repeat as necessary in each row.</i>]

6. Settlement Exchange Rate Provisions

If Settlement Exchange Rate Provisions are specified as applicable in the Applicable Transaction Terms, then notwithstanding the Notes are denominated in, and calculations made in respect of, the Specified Currency (the "**SER Subject Currency**"), all payments shall be made in the Settlement Currency (the "**Settlement Currency**" or the "**SER Base Currency**").

The Calculation Agent will determine the amount to be paid in the SER Base Currency by applying the Settlement Exchange Rate to the amount that would have been payable in the SER Subject Currency were it not for the provisions of this Payout Condition 6.

Any such payment shall be made on the date such payment would have otherwise been due provided that, if limb (b) of the definition of "Settlement Exchange Rate" below applies, such payment may be deferred in accordance with Payout Condition 6.1(e) below if the SER Valuation Date is postponed as set out herein. No additional interest or other amount shall be payable in respect of any such delay.

6.1 SER Valuation and Disruption Provisions

The provisions of this Payout Condition 6.1 apply where Settlement Exchange Rate Provisions are specified as applicable in the Applicable Transaction Terms and limb (b) of the definition of "Settlement Exchange Rate" below applies.

(a) SER Disruption Events

If so specified in the Applicable Transaction Terms, the occurrence of any of the following events, in respect of any SER Base Currency and/or SER Subject Currency, shall be a "**SER Disruption Event**":

- (i) Price Source Disruption;
- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance;
- (vii) Nationalisation;
- (viii) Price Materiality; and/or

any other event that, in the opinion of the Calculation Agent, is analogous to any of (i) to (viii) above (inclusive).

The Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with Condition 14 (*Notices*) of the occurrence of a SER Disrupted Day on any day that, but for the occurrence of the SER Disrupted Day, would have been a SER Valuation Date.

(b) Consequences of a SER Disruption Event

Upon a SER Disruption Event occurring or continuing on any SER Valuation Date (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant SER Price Source) as determined by the Calculation Agent, the Calculation Agent shall apply in determining the consequences of the SER Disruption Event: (a) Calculation Agent Determination where the applicable SER Disruption Event is other than Price Source Disruption or Price Materiality; and (b) the applicable SER Disruption Fallback where the applicable SER Disruption Event is a Price Source Disruption or Price Materiality.

(c) SER Unscheduled Holiday

If the Calculation Agent determines that a date that would otherwise have been a SER Valuation Date is a SER Unscheduled Holiday in respect of the SER Subject Currency, then such date shall be the immediately succeeding SER Scheduled Trading Day after the occurrence of the SER Unscheduled Holiday, subject as provided above, and provided that if such SER Valuation Date has not occurred on or before the SER Maximum Days of Postponement then the next SER Scheduled Trading Day after such period that would have been a SER Scheduled Trading Day but for the SER Unscheduled Holiday shall be deemed to be the relevant date for valuation and the Settlement Exchange Rate shall be determined by the Calculation Agent on such day in its sole discretion acting in good faith having taken into account relevant market practice and by reference to such additional source(s) as it deems appropriate.

(d) SER Cumulative Events

If "SER Cumulative Events" is specified as applicable in the Applicable Transaction Terms in respect of a SER Subject Currency then, in no event shall the total number of consecutive calendar days during which a SER Valuation Date is deferred due to either (i) a SER Unscheduled Holiday or (ii) a SER Valuation Postponement (or a combination of both (i) and (ii)) exceed the SER Maximum Cumulative Days of Postponement in the aggregate. If a SER Valuation Date is postponed by the number of calendar days equal to the SER Maximum Cumulative Days of Postponement and at the end of such period (i) a SER Unscheduled Holiday shall have occurred or be continuing on the day immediately following such period (the "**Final Day**"), then such Final Day shall be deemed to be the relevant SER Valuation Date and (ii) if a Price Source Disruption shall have occurred or be continuing on the Final Day, then Valuation Postponement shall not apply and the Settlement Exchange Rate shall be determined in accordance with the next applicable SER Disruption Fallback.

(e) Postponement of payment or settlement days

Where any SER Valuation Date is postponed as a consequence of the provisions of this Payout Condition 6.1, then the corresponding date for payment or delivery of any assets shall fall on the later of (a) the date for such payment or delivery otherwise determined in accordance with the Applicable Transaction Terms and (b) the day falling the SER Number of Postponement Settlement Days specified in the Applicable Transaction Terms (or, if none are so specified, two Business Days) after the SER Valuation Date.

6.2 Consequences of a SER Additional Disruption Event

Other than where limb (a) of the definition of "Settlement Exchange Rate" below applies, if the Calculation Agent determines that a SER Additional Disruption Event has occurred, the Issuer may redeem the Notes by giving notice to Noteholders in accordance with Condition 14 (*Notices*). If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note, taking into account the SER Additional Disruption Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 14 (*Notices*).

6.3 Definitions

"**Change in Law**" means that, on or after the Trade Date (as specified in the Applicable Transaction Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes.

"**Dual Exchange Rate**" means that any of the SER Base Currency and/or SER Subject Currency splits into dual or multiple currency exchange rates.

"General Inconvertibility" means the occurrence of any event that generally makes it impossible to convert a SER Subject Currency into the SER Base Currency in a SER Subject Currency Jurisdiction through customary legal channels.

"General Non-Transferability" means the occurrence of any event that generally makes it impossible to deliver (A) the SER Base Currency from accounts inside a SER Subject Currency Jurisdiction to accounts outside a SER Subject Currency Jurisdiction or (B) the SER Subject Currency between accounts inside a SER Subject Currency Jurisdiction or to a party that is a non-resident of a SER Subject Currency Jurisdiction.

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

"Hedging Disruption" means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

"Illiquidity Disruption" means the occurrence of any event in respect of any of the SER Base Currency and/or SER Subject Currency whereby it becomes impossible for the Calculation Agent to obtain a firm quote for such currency in an amount deemed necessary by the Calculation Agent to hedge its obligations under the Notes (in one or more transaction(s)) on the relevant SER Valuation Date (or, if different, the day on which rates for such SER Valuation Date would, in the ordinary course, be published or announced by the relevant SER Price Source).

"Increased Cost of Hedging" means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

"Material Change in Circumstance" means the occurrence of any event (other than those events specified as SER Disruption Events) in the SER Subject Currency Jurisdiction beyond the control of the parties to a hedging arrangement in respect of the Notes which makes it impossible (A) for a party to fulfil its obligations under the hedging arrangement or (B) generally to fulfil obligations similar to such party's obligations under that hedging arrangement.

"Nationalisation" means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives a party to a hedging arrangement in respect of the Notes of all or substantially all of its assets in the SER Subject Currency Jurisdiction.

"Price Materiality" means that, in the determination of the Calculation Agent, the SER Primary Rate differs from any SER Secondary Rate by at least the SER Price Materiality Percentage or if there are insufficient responses on the relevant SER Valuation Date to any survey used to calculate any such rate, then the SER Price Materiality Percentage will be deemed to be met.

"Price Source Disruption" means that it becomes impossible to obtain the rate or rates from which the Settlement Exchange Rate is calculated.

"Relevant Screen Page" means the relevant page specified as such in the Applicable Transaction Terms or any successor to such page or service acceptable to the Calculation Agent.

"Settlement Currency" or **"SER Base Currency"** means the currency specified as such in the Applicable Transaction Terms.

"Settlement Exchange Rate" means (a) the rate specified as such in the Applicable Transaction Terms or (b) if no such rate is specified and, subject as referred to in Payout Condition 6.1 above, the rate of exchange appearing on the SER Price Source at the SER Valuation Time on the relevant SER Valuation Date for the exchange of the SER Subject Currency per one unit of the SER Base Currency for settlement on the SER Number of Settlement Days.

"SER Additional Disruption Event" means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the Applicable Transaction Terms.

"SER Disrupted Day" means any SER Scheduled Trading Day on which the Calculation Agent determines that a SER Disruption Event has occurred.

"SER Disruption Fallback" means a source or method that may give rise to an alternative basis for determining the Settlement Exchange Rate when a SER Disruption Event occurs or exists on a day that is a SER Valuation Date (or, if different, the day on which prices for that date would, in the ordinary course, be published or announced by the SER Price Source) being, in respect of a SER Subject Currency, any of Calculation Agent Determination, First Fallback Reference Price, Second Fallback Reference Price and Valuation Postponement, as so specified in the Applicable Transaction Terms for such SER Subject Currency. Where more than one SER Disruption Fallback is so specified then such SER Disruption Fallbacks shall apply in the order in which they are specified in the Applicable Transaction Terms until the Settlement Exchange Rate can be determined for such exchange rate relating to that SER Subject Currency for such SER Valuation Date.

Where:

"Calculation Agent Determination" means that the Calculation Agent shall determine the Settlement Exchange Rate taking into consideration all information that it deems relevant.

"First Fallback Reference Price" means that the Calculation Agent shall determine the Settlement Exchange Rate by reference to the applicable First Fallback Reference Price and, for which purpose, references in the definition of Settlement Exchange Rate to "SER Price Source", "SER Valuation Time" and "SER Number of Settlement Days" shall be construed, respectively, to be to "SER First Fallback Price Source", "SER First Fallback Valuation Time" and "SER First Fallback Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Applicable Transaction Terms).

"Second Fallback Reference Price" means that the Calculation Agent shall determine the Settlement Exchange Rate by reference to the applicable Second Fallback Reference Price and, for which purpose, references in the definition of Settlement Exchange Rate to "SER Price Source", "SER Valuation Time" and "SER Number of Settlement Days" shall be construed, respectively, to be to "SER Second Fallback Price Source", "SER Second Fallback Valuation Time" and "SER Second Fallback Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Applicable Transaction Terms).

"Valuation Postponement" means that the Settlement Exchange Rate shall be determined on the immediately succeeding SER Scheduled Trading Day which is not a SER Disrupted Day unless the Calculation Agent determines that no such SER Scheduled Trading Day which is not a SER Disrupted Day has occurred on or before the day falling the SER Maximum Days of Postponement following the originally designated SER Valuation Date, as the case may be. In such event, the Settlement Exchange Rate shall be determined on the next SER Scheduled Trading Day after the SER Maximum Days of Postponement (notwithstanding the fact that day may be a SER Disrupted Day) in accordance with the next applicable SER Disruption Fallback.

"SER Maximum Cumulative Days of Postponement" means the number of days specified as such in the Applicable Transaction Terms or, if no such number is specified, 30 calendar days.

"SER Maximum Days of Postponement" means the number of days specified as such in the Applicable Transaction Terms or, if no such number is specified, 30 calendar days.

"SER Number of Settlement Days" means, in respect of a SER Subject Currency, the number of days on which commercial banks are open (or, but for the occurrence of a SER Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each SER Settlement Day Centre specified as such in the Applicable Transaction Terms (each, a **"SER Settlement Day"**). Where no such number or zero is so specified, then such rate shall be for settlement on the same day.

"SER Price Materiality Percentage" means the percentage specified as such in the Applicable Transaction Terms or, if no such percentage is specified, 3%.

"SER Price Source" means the price source(s) specified as such in the Applicable Transaction Terms (or any successor to such price source(s) as determined by the Calculation Agent).

"SER Primary Rate" means the rate specified as such in the Applicable Transaction Terms.

"SER Scheduled Trading Day" means a day on which commercial banks are open (or, but for the occurrence of a SER Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each SER Scheduled Trading Day Jurisdiction specified in the Applicable Transaction Terms provided that where the SER Subject Currency is BRL, then notwithstanding the foregoing, if the relevant SER Valuation Date falls on a date that, as the Trade Date, is not a scheduled day on which commercial banks are open (or, but for the occurrence of a SER Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in New York City (an **"NYC Business Day"**), then no adjustment to such date shall be made on account of the fact that such date is not an NYC Business Day.

"SER Secondary Rate" means the rate specified as such in the Applicable Transaction Terms.

"SER Subject Currency" means the currency specified as such in the Applicable Transaction Terms.

"SER Subject Currency Jurisdiction" means each country for which the SER Subject Currency is the lawful currency.

"SER Unscheduled Holiday" means a day that is not a SER Scheduled Trading Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in the principal financial centre of the SER Subject Currency two SER Scheduled Trading Days prior to the relevant scheduled SER Valuation Date.

"SER Valuation Date" means any date specified as such in the Applicable Transaction Terms or, if such day is not a SER Scheduled Trading Day, the immediately preceding SER Scheduled Trading Day and, in the event of a SER Unscheduled Holiday, subject to adjustment as set out in Payout Condition 6.1(c) above, unless, in the opinion of the Calculation Agent, the resultant day is a SER Disrupted Day, in which case the provisions of Payout Condition 6.1(b) shall apply. Where the amount so due is the Early Redemption Amount, then the SER Valuation Date shall be deemed to be the fifth SER Scheduled Trading Day prior to the date of early redemption of the Notes.

"SER Valuation Time" means, unless otherwise specified in the Applicable Transaction Terms, the time at which the SER Price Source publishes the relevant rate or rates from which the Settlement Exchange Rate is calculated.

PRO FORMA FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated []

Santander International Products plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

BANCO SANTANDER, S.A.

under the

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

Any person making or intending to make an offer of the Notes may only do so[

- (i) in those Non-exempt Offer Jurisdictions mentioned in Paragraph 11 of Part B below, provided such person is a Dealer or an Authorised Offeror (as such term is defined in the Base Prospectus (as defined below) and that the offer is made during the Offer Period specified in that paragraph and that any conditions relevant to the use of the Base Prospectus are complied with; or
- (ii) otherwise]², 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 to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

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

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 8 July 2016 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"), and includes, for the purposes of these Final Terms only, any relevant implementing measure in a relevant Member State of the European Economic Area (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus. Prospective investors should note that investing in the Notes entails certain risks including (without limitation) the risk that the Issue Price may be greater than the market value of the Notes [and the risk that the Calculation Agent may exercise its discretion in such a way as to affect amounts due and payable under the Notes and/or their Maturity Date]. For a more detailed description of certain of the risks involved, see "Risk Factors" on pages 42 to 91 of the Base Prospectus.

[A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. *(Delete in the case of an issue of Notes with minimum denomination equal to or greater than EUR100,000 (or its equivalent in another currency))*] The Base Prospectus together with the relevant Final Terms have been published on the websites on the Irish Stock Exchange (http://www.ise.ie/Debt-Securities/Individual-Debt-Securities-Data/?action=SEARCH&search_word) and the Central Bank of Ireland (<http://www.centralbank.ie>) in an agreed electronic format.

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

² Include this wording where a Non-Exempt Offer of Notes is anticipated.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the [Offering Circular dated [29 July 2014 [as supplemented by a supplement dated 16 March 2015]] [29 July 2013 [as supplemented by [a] supplement[s] to the listing particulars dated [31 March 2014] [and [23 December 2013]] [Base Prospectus dated [29 July 2015 [as supplemented by [a] supplement[s] dated [21 October 2015] [and [22 December 2015]]] [25 March 2013] [24 February 2012] [24 February 2011] [18 February 2010] [11 February 2009] [26 June 2008] [14 September 2007] [14 September 2006]]. These Final Terms contain the applicable terms of the Notes and must be read in conjunction with the Base Prospectus dated 8 July 2016 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended, including Directive 2010/73/EU) (the "**Prospectus Directive**") and includes, for the purposes of these Final Terms only, any relevant implementing measure in a relevant Member State of the European Economic Area, [save in respect of the conditions which are set forth in the base prospectus dated [original date] [and the supplement[s] to it dated [date] [and [date]] and are incorporated by reference in the Base Prospectus]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the [Base Prospectuses] [Offering Circular] dated [original date] [and the supplement[s] to it] and the Base Prospectus dated 8 July 2016 [and the dates [date] and [date]]. [A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Term) is annexed to these Final Terms. *(Delete in the case of an issue of Notes with minimum denomination equal to or greater than EUR100,000 (or its equivalent in another currency))* The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address].]

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

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

1.
 - (i) Issuer: Santander International Products plc
 - (ii) Guarantor: Banco Santander, S.A.
2.
 - (i) Series Number: []
 - (ii) Tranche Number: []
 - (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/ the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 52 below, which is expected to occur on or about [date]] [Not Applicable]
 - (iv) Applicable Annex(es): [Not Applicable]
 [Annex 1: Equity Linked Conditions]
 [Annex 2: Inflation Linked Conditions]
 [Annex 3: Fund Linked Conditions]
 [Annex 4: Credit Linked Conditions]
 [Annex 5: Foreign Exchange (FX) Rate Linked Conditions]
 [Annex 6: Payout Conditions [for the purposes of Payout Condition 6 only]]
3. Specified Currency or Currencies: [] [(the "**SER Subject Currency**") for the purpose of the Specified Denomination and calculations and [] (the "**Settlement Currency**") for the purpose of

payments]

4. Aggregate Nominal Amount of Notes:

(i) [Series:] []

(ii) [Tranche:] []

5. Issue Price:

[]% of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* *(in the case of fungible issues only, if applicable)*] [converted into the Settlement Currency at the Initial Settlement Exchange Rate, being *[specify amount]* in respect of the Aggregate Nominal Amount and "**Initial SER**" means *[specify]*]

6. (i) Specified Denominations:

[]

[Note - where multiple denominations are being used and Notes are not being issued in registered form, the following sample wording should be followed: [EUR 100,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 199,000]. No Notes in definitive form will be issued with a denomination above [EUR 199,000].

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing systems so permit, the Notes will be tradable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000], notwithstanding that no definitive notes will be issued with a denomination above [EUR 199,000].]

(ii) Calculation Amount (in relation to calculation of interest in global form see Conditions):

*[the Specified Denomination]**[Insert in the case of Instalment Notes: (the "**Original Calculation Amount**") minus, for the purposes of any calculation by reference to the Calculation Amount on any day, the sum of the Instalment Amounts paid prior to the relevant day [save for the purposes of calculation of any [Interest Amount][Final Redemption Amount][Early Redemption Amount][Automatic Early Redemption Amount][Optional Redemption Amount][Entitlement Amount] [[payable][deliverable] on [specify]] for which purposes the Original Calculation Amount will continue to apply.]*

[If there are several Specified Denominations, insert the highest common factor of those Specified Denominations. (Note: There must be a common factor of two or more Specified Denominations).]

7. (i) Issue Date:

[]

(ii) Interest Commencement Date (if different from the Issue Date):

[Insert relevant date/Issue Date/Not Applicable]

[An Interest Commencement Date will not be relevant for certain Notes, for example, Zero Coupon Notes]

8. Maturity Date:

[Specify date or (for Floating Rate Notes, CMS-Linked Notes, Inflation Linked Notes, Equity Linked Notes, Fund Linked Notes or Foreign Exchange (FX) Rate Linked Notes) Interest Payment Date falling in or nearest to the relevant month and year][or such later date for redemption determined as provided in the [[Fund Linked Conditions][Credit Linked Conditions][or, in all circumstances if applicable, such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6.]

*[For Credit Linked Notes, if applicable insert: [] (the "**Scheduled Maturity Date**"), subject to the provisions of the Credit Linked Conditions and this Final Terms]*

[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]

[If the Maturity Date is less than one year from the Issue Date the Notes must comply with the Central Bank's notice by the Central Bank of Ireland of exemptions granted under section 8(2) of the Central Bank Act, 1971 as amended (BSD C01/02) and, inter alia, have a minimum Specified Denomination of Euro 125,000. In addition such Notes must bear the following legend:

"An investment in the Notes does not have the status of a bank deposit and does not have the protection of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes."

9. Interest Basis:

[[]% Fixed Rate]

[[Specify reference rate]+/- []% Floating Rate]

[CMS-Linked: [specify reference rate] +/- []%]

[Equity Linked: please see the section headed Provisions Applicable to Equity Linked Notes below for more details]

[Inflation Linked: please see Provisions Applicable to Inflation Linked Notes below for more details]

[Reference Item Rate Linked: please see Provisions Applicable to Reference Item Rate Linked Notes below for more details]

[Fund Linked: please see Provisions Applicable to Fund Linked Notes below for more details]

[Credit Linked: please see *Provisions Applicable to Credit Linked Notes* below for more details]

[Foreign Exchange (FX) Rate Linked: please see *Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes* below for more details]]

[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]

[Zero Coupon]
(further particulars specified below)

10. Redemption/Payment basis:

[Redemption at par]

[See item 28 below]

[Dual Currency]

[Partly Paid]

[Instalment]

[Equity Linked: please see the section headed *Provisions Applicable to Equity Linked Notes* below for more details]

[Inflation Linked: please see paragraph *Provisions Applicable to Inflation Linked Notes* below for more details]

[Reference Item Rate Linked: please see *Provisions Applicable to Reference Item Rate Linked Notes* below for more details]

[Fund Linked: please see *Provisions Applicable to Fund Linked Notes* below for more details]

[Credit Linked: please see paragraph "*Additional Provisions relating to Credit Linked Notes*" at item 41 below and the Credit Linked Conditions for more details]

[Foreign Exchange (FX) Rate Linked: please see *Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes* below for more details]

[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]

11. Reference Item(s):

[The following Reference Item(s)][(k)] [(from [k] = 1 to [[k][specify]])] will apply [for [Interest]][and][Redemption] determination purposes:][Not Applicable]

[For [k]=1][specify][insert description][(see paragraph [specify])]

(Repeat if necessary)

[and]

[The following Reference Item(s)][(k)] [(from [k] = [specify] to [k] = [specify])] will apply [for [Redemption]

determination purposes];

[For [k]=[specify]][specify][insert description][(see paragraph [specify])]

(Repeat if necessary)

12. Change of Interest Redemption/Payment Basis: or [Applicable/Not Applicable] *[Specify the date when any change to the Interest Basis or Redemption/Payment Basis occurs with reference to paragraphs 19 and 20 below]*
13. Put/Call Options: [Not Applicable]
[Investor Put]
[Issuer Call]
[(further particulars specified below)]
[Not Applicable]
14. Settlement Exchange Rate Provisions: [Not Applicable][Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Settlement Exchange Rate: [Specify rate] [As per Payout Condition 6]
(if a rate is specified then delete the remaining subparagraphs of this paragraph).
- (ii) SER Valuation Date(s): [specify] [[specify] SER Scheduled Trading Days prior to the [scheduled] [specify each payment date]]
(where different SER Valuation Dates apply to different payment dates, specify in respect of each applicable payment date)
- (iii) Provisions applicable to determining the Settlement Exchange Rate: For the purpose of the definition of Settlement Exchange Rate in Payout Condition 6:
SER Price Source: [specify]
SER Valuation Time: [specify]
SER Scheduled Trading Day Jurisdiction: [specify]
- (iv) SER Disruption Events: [Price Source Disruption]
[Illiquidity Disruption]
[Dual Exchange Rate]
[General Inconvertibility]
[General Non-Transferability]
[Material Change in Circumstance]
[Nationalisation]

		[Price Materiality, where: SER Price Materiality Percentage: <i>[specify]</i> [3]% SER Primary Rate: <i>[specify]</i> [The rate determined as set out in the definition of Settlement Exchange Rate] SER Secondary Rate: <i>[specify]</i> [SER First Fallback Reference Price [and]][SER Second Fallback Reference Price]]
(v)	SER Disruption Fallbacks (for Price Source Disruption and Price Materiality only):	[Calculation Agent Determination] [First Fallback Reference Price, where: SER First Fallback Price Source: <i>[specify]</i> SER First Fallback Valuation Time: <i>[specify]</i> SER First Fallback Number of Settlement Days: <i>[specify]</i> [Second Fallback Reference Price, where: SER Second Fallback Price Source: <i>[specify]</i> SER Second Fallback Valuation Time: <i>[specify]</i> SER Second Fallback Number of Settlement Days: <i>[specify]</i> [Valuation Postponement] SER Number of Postponement Settlement Days: [[Two] <i>[specify]</i>] [Business Days][SER Settlement Days] <i>[specify]</i> SER Maximum Days of Postponement: <i>[specify]</i> <i>(specify fallbacks required and arrange order in which to be applied)</i>
	(vi) SER Cumulative Events:	[Not Applicable][Applicable and SER Maximum Cumulative Days of Postponement means <i>[specify]</i>]
	(vii) SER Number of Settlement Days:	[Two][Zero] <i>[specify other]</i> [where SER Settlement Day Centre(s) means <i>[specify]</i>]
	(viii) SER Additional Disruption Event:	<i>(Specify each of the following which applies)</i> [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Trade Date means <i>[specify]</i>]
15.	(i) Status of the Notes:	Senior
	(ii) Status of the Guarantee:	Senior
	(iii) [Date [Board] approval for issuance of Notes [and Guarantee] [respectively] obtained:	[] [and []], respectively]

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of the Notes or related Guarantee)

- 16. Knock-in Event:** [Not Applicable][Applicable: Knock-in Value is [(i)][greater than][greater than or equal to][less than][less than or equal to] the Knock-in[Level][Price][within the Knock-in Range] *(Only applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-in Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (Insert for Reference Item Linked Notes)*
- (i) Knock-in Value: *[insert definition from Payout Condition 5.2]*
 - (ii) Knock-in Level/Knock-in Price: *[specify value or percentage]*
 - (iii) Knock-in Range: From and [including][excluding] *[specify range of values, percentages, level, or prices etc]* to and [including][excluding] *[specify range of values, percentages, level, or prices etc]* [Not Applicable]
 - (iv) Knock-in Determination Day(s): *[specify][Each Scheduled Trading Day in the Knock-in Determination Period][Not Applicable]*

[In the event that a Knock-in Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
 - (v) Knock-in Determination Period: *[specify][Not Applicable]*
 - (vi) Knock-in Period Beginning Date: *[Applicable][specify][Not Applicable]*
 - (vii) Knock-in Period Beginning Date Scheduled Trading Day Convention: *[Applicable][Not Applicable]*
 - (viii) Knock-in Period Ending Date: *[specify][Not Applicable]*
 - (ix) Knock-in Period Ending Date Scheduled Trading Day Convention: *[Applicable][Not Applicable]*
 - (x) Knock-in Valuation Time: *[specify][Scheduled Closing Time][Any time on a Knock-in Determination Day][Not Applicable]*
- 17. Knock-out Event:** [Not Applicable][Applicable: The Knock-out Value is [(i)][greater than][greater than or equal to][less than][less than or equal to] the Knock-out [Level][Price] [within the Knock-out Range]
- (Only applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-out Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (Insert for Reference Item Linked Notes)*
- (i) Knock-out Value: *[insert definition from Payout Condition 5.2]*

- (ii) Knock-out Level/Knock-out Price: *[specify value or percentage]*
- (iii) Knock-out Range: From and *[including][excluding]* *[specify range of values, percentages, level, or prices etc]* to and *[including][excluding]* *[specify range of values, percentages, level, or prices etc]* *[Not Applicable]*
- (iv) Knock-out Determination Day(s): *[[From and including][From and excluding][To and including][To but excluding][specify]]*

[specify][Each Scheduled Trading Day in the Knock-out Determination Period][Not Applicable]

[In the event that a Knock-out Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
- (v) Knock-out Determination Period: *[specify][Not Applicable]*
- (vi) Knock-out Period Beginning Date: *[specify][Not Applicable]*
- (vii) Knock-out Period Ending Date: *[specify][Not Applicable]*
- (viii) Knock-out Period Beginning Date Scheduled Trading Day Convention: *[Applicable][Not Applicable]*
- (ix) Knock-out Period Ending Date Scheduled Trading Day Convention: *[Applicable][Not Applicable]*
- (x) Knock-out Valuation Time: *[specify][Scheduled Closing Time][Any time on a Knock-out Determination Day][Not Applicable]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 18. Interest:** *[Applicable][Not Applicable]*

(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Payment Date(s): *[] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Day Jurisdictions for Condition 7(h)]]/[not adjusted] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition [6] of the Payout Conditions]].*
- (ii) Margin(s): *[+ [specify][%][per annum]][Not Applicable]*

(If a Margin applies for each Interest Period, the Margin shall be specified separately for each Interest Period)
- (iii) Minimum Interest Rate: *[[specify][%][per annum]][Not Applicable]*

(If a Minimum Interest Rate applies for each Interest Period, the Minimum Interest Rate shall be specified separately for each Interest Period)
- (iv) Maximum Interest Rate: *[[specify][%][per annum]][Not Applicable]*

(If a Maximum Interest Rate applies for each Interest Period, the Maximum Interest Rate shall be specified separately for each Interest Period.)

(v) Day Count Fraction: [Actual/Actual(ICMA)]/[Actual/Actual(ISDA)]/[Actual/365(Fixed)]/[Actual/360]/[30/360]/[30E/360 or Eurobond Basis]/[30E/360(ISDA)] [Not applicable]

(vi) Rate of Interest: [In respect of each Interest Payment Date [(from [specify] to [specify])][falling [on][during the period from and including [specify] [to and including [specify] only]]][Not Applicable]]the Rate of Interest shall be determined by the Calculation Agent [as][in accordance with the following formula(e)]:

[Fixed Rate]

[Floating Rate]

(The above formulation may be repeated as necessary)

(In respect of the following, insert formula, relevant value(s) and other related definitions from Payout Condition 2.1 and relevant definitions from Payout Condition 5)

[Rate of Interest (i)]
 [Rate of Interest (ii)]
 [Rate of Interest (iii)]
 [Rate of Interest (iv)]
 [Rate of Interest (v)]
 [Rate of Interest (vi)]
 [Rate of Interest (vii)]
 [Rate of Interest (viii) – Range Accrual]
 [Rate of Interest (ix) – Digital One Barrier]
 [Rate of Interest (x) – Podium]
 [Rate of Interest (xi) – Memory Coupon]
 [Rate of Interest (xii) – Counter]
 [Rate of Interest (xiii) – Variable Counter]
 [Rate of Interest (xiv) – Call with Individual Caps]
 [Rate of Interest (xv) – Cappuccino]
 [Rate of Interest (xvi) – Fixed Best]
 [Rate of Interest (xvii) – Cliquet]
 [Rate of Interest (xviii) – Cliquet Digital]
 [Rate of Interest (xix) – Cliquet Digital Lock in]
 [Rate of Interest (xx) – Digital Coupon One Condition]
 [Rate of Interest (xxi) – Digital Coupon Two Conditions]
 [Rate of Interest (xxii) – TARN]
 [Rate of Interest (xxiii) – Ratchet]
 [Rate of Interest (xxiv) – Booster]
 [Rate of Interest (xxv)]
 [Rate of Interest (xxvi) – Call Option Interest Rate]
 [Rate of Interest (xxvii) – Put Option Interest Rate]
 [Rate of Interest (xxviii) – Lock in]

(If the Rate of Interest is calculated by reference to Reference Items, Valuation Dates, Observation Dates etc. or is otherwise calculated differently in respect of each Interest Payment Date, above options may be repeated and numerical suffixes may be used to clarify which Reference Item, Rate of Interest, Valuation Date, Observation Date etc. applies in respect of the

corresponding Interest Payment Date)

19. Fixed Rate Note Provisions

[Applicable/Not Applicable]

(If more than one fixed rate is to be determined repeat items (i) to (iii) of this paragraph for each such rate and, if Digital Coupon One Condition or Digital Coupon Two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)

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

- (i) Rate[(s)] of Interest: []% per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
- (ii) Fixed Coupon Amount[(s)] for Notes in definitive form (and in relation to Notes in global form see Conditions): [] per Calculation Amount
- (iii) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []] [Not Applicable]

20. Floating Rate and CMS Linked Note Provisions

[Applicable/Not Applicable] [for purposes only of determining the "Rate" element of the Rate of Interest specified in item [18(vi)] (insert where "Rate of Interest (ix) - Range Accrual" applies under item 18(vi))]

(If more than one floating rate is to be determined, repeat items [Specify] to [Specify] for each such rate and, if Digital Coupon One Condition or Digital Coupon two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)

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

- (i) Specified Period: []
- (Specified Period and specified Interest Payment Dates are alternatives. A Specified Period, rather than specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (ii) [First Interest Payment Date:] []
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable][Business Day Convention only needs to be specified here if Specified Periods are specified]
- (iv) Additional Business Centre(s): [Not Applicable/[Insert name(s) of Additional Business Centre(s)]]

- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[Name] shall be the Calculation Agent *(no need to specify if the Principal Paying Agent is to perform this function)*]
- (vii) Margin Plus Rate: [Applicable] [Not Applicable]
- (viii) Specified Percentage Multiplied by Rate: [Applicable] [Not Applicable]
- (ix) Difference in Rates: [Applicable] [Not Applicable]
- (x) Screen Rate Determination of Rate:
- Reference Rate: [For example, LIBOR OR EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [] [[For example, Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [] [[For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (xi) ISDA Determination of Rate:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xii) Screen Rate Determination of Rate 2:
- (in relation to Difference in Rates only)*
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (xiii) ISDA Determination of Rate 2:
- (in relation to Difference in Rates only)*

- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xiv) Specified Percentage: [[]%] [Not Applicable]
21. **Equity Linked Note interest provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Equity Linked Notes*" and "*Additional Provisions Applicable To Equity Linked Notes Only*", below, for more information] [Not Applicable] [*Delete as applicable*]
22. **Inflation Linked Note interest provisions:** [Applicable – please refer to "*Provisions Applicable to Inflation Linked Notes*", below, for more information] [Not Applicable] [*Delete as applicable*]
23. **Fund Linked Note interest provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Fund Linked Notes*" below for more information] [Not Applicable] [*Delete as applicable*]
24. **Foreign Exchange (FX) Rate Linked Note interest provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes*" below for more information] [Not Applicable] [*Delete as applicable*]
25. **Reference Item Rate Linked Note interest provisions** [Applicable – please refer to the section "*Provisions Applicable to Reference Item Rate Linked Notes*" below, for more information][Not Applicable] [*Delete as applicable*]
26. **Zero Coupon Note provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs)*
- (i) Accrual Yield: []% per annum
- (ii) Reference Price: []
- (iii) Basis of determining the amount payable for Zero Coupon Notes which are Exempt Notes: []
- (iv) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

27. **Call Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Call): [][or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6]
- (NB: In the case of Call Option Rate Notes, the Optional Redemption Date(s) (Call) must be Interest Payment Dates (other than the first and final Interest Payment Dates))*

- (ii) Optional Redemption Amount(s) [] per Calculation Amount of each Note:
- (iii) If redeemable in part:
 - (a) Minimum Redemption [] per Calculation Amount Amount:
 - (b) Maximum Redemption [] per Calculation Amount Amount:
- (iv) Notice period: [] [[●] Business Days (the "**Minimum Early Redemption Notice Period**") (NB: to be included for Call Option Rate Notes – may not be less than ten Business Days.)

28. Put Option:

[Applicable][Not Applicable]

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

- (i) Optional Redemption Date(s) [] (Put): [] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6] (NB: In the case of Put Option Rate Notes, the Optional Redemption Date(s) (Put) must be Interest Payment Dates (other than the first and final Interest Payment Dates))
- (ii) Optional Redemption Amount(s) [] per Calculation Amount of each Note:
(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)
- (iii) Notice period: [] [[●] Business Days (the "**Minimum Early Redemption Notice Period**") (NB: to be included for Put Option Rate Notes – may not be less than ten Business Days)

(For example, a minimum of 5 clearing system business days' notice for a call and 15 clearing system business days' notice for a put)

29. Final Redemption Amount of each Note:

[Calculation Amount * [specify] %][Calculation Amount * Final Payout] [, subject to [specify]]/See Equity Linked redemption provisions below/See Inflation Linked Note redemption provisions below/See Reference Item Rate Linked Note redemption provisions below/See Credit Linked Note redemption provisions below/See Fund Linked redemption provisions below/See Foreign Exchange (FX) Rate Linked redemption provisions below]

30. Final Payout:

[Not Applicable]

(In respect of the following, insert formula from Payout Condition 2.2 and relevant definitions from Payout Condition 5)

[Redemption (i)]
[Redemption (ii)]
[Redemption (iii)]

[Redemption (iv)]
 [Redemption (v)]
 [Redemption (vi)]
 [Redemption (vii) – Booster]
 [Redemption (viii) – Digital]
 [Redemption (ix) – Digital with Knock-in]
 [Redemption (x) – Podium]
 [Redemption (xi) – Reverse Knock-in Standard]
 [Redemption (xii) – Reverse Knock-in]
 [Redemption (xiii) – Knock-in Standard]
 [Redemption (xiv) – Twin Win]
 [Redemption (xv) – Himalaya]
 [Redemption (xvi) – Memory]
 [Redemption (xvii) – Lock in]

31. Automatic Early Redemption:

[Applicable][Not Applicable]

(If applicable, specify one of the following)

[ST Automatic Early Redemption][Target Automatic Early Redemption] *(always insert 'Target Automatic Early Redemption Event' in relation to Accumulated Coupon)*

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

(i)	Automatic Early Redemption Event:	AER Value is: [greater than][greater than or equal to][less than][less than or equal to] the Automatic Early Redemption [Level][Price]
(ii)	AER Value:	<i>[insert relevant value definition and where applicable relevant definitions from Payout Condition 5.1 and 5.2]</i>
(iii)	Automatic Early Redemption Payout:	The Automatic Early Redemption Amount shall be determined in accordance with the following formula: <i>(Insert relevant formula from payout annex)</i>
(iv)	Automatic Early Redemption Level/Price:	<i>[specify] [%]</i> [Not Applicable]
(v)	AER Percentage:	<i>[specify] [%]</i> [Not Applicable] <i>(insert where ST Automatic Early Redemption applies)</i>
(vi)	Automatic Early Redemption Date(s)/Period(s):	<i>[specify]</i> [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6]
(vii)	AER Additional Rate:	<i>[AER Rate][Insert relevant provisions from Payout Condition 5.1]</i> [Not Applicable] <i>[AER Rate DCF][Insert relevant provisions from Conditions]</i> <i>[AER Rate MT][Insert relevant provisions from Conditions]</i>
(viii)	Automatic Early Redemption Valuation Date(s)/Period(s):	<i>[specify]</i>

		[In the event that an Automatic Early Redemption Valuation Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
(ix)	Automatic Early Redemption Valuation Time:	[specify][Scheduled Closing Time][Any time [on the relevant Valuation Date][during the Observation Period]]
(x)	Averaging:	Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [specify].] [See paragraph [] above]
		[In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]
		[Specified Maximum Days of Disruption will be equal to: [specify][five]
		<i>(If no Specific Maximum Days of Disruption are stated, Specific Maximum Days of Disruption will be equal to five)]</i>
32.	Early Redemption Amount:	
	Early Redemption Amount (Tax) per Calculation Amount payable on redemption for taxation reasons:	[[] per Calculation Amount (specify the amount)/Market Value less Associated Costs]
	Redemption Amount(s) per Calculation Amount payable on an event of default:	[[] per Calculation Amount/specify the amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs [including the cost, if any, for unwinding hedging arrangements]]
	Termination Amount(s) per Calculation Amount payable on an occurrence of an Extraordinary Fund Event:	[See paragraph 42(xxx)][Not Applicable]
	Early Redemption Amount per Calculation Amount payable following an early redemption:	[[] per Calculation Amount/Market Value less Associated Costs][Not Applicable]
	Fair Market Value Interest Element:	[Applicable][Not Applicable] (Specify as required in respect of each relevant early redemption)
33.	Equity Linked Note redemption provisions:	[Applicable – please refer to the section headed "Additional Provisions Applicable to Equity Linked Notes Only" below for more information][Not Applicable] [Delete as applicable]
34.	Inflation Linked Note redemption provisions:	[Applicable – please refer to the section headed "Provisions Applicable to Inflation Linked Notes" below for more information][Not Applicable][Delete as applicable]
35.	Credit Linked Note redemption provisions:	[Applicable – please refer to the section headed "Additional Provisions relating to Credit Linked Notes"

- below for more information][Not Applicable][Delete as applicable]
36. **Fund Linked Note redemption provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Fund Linked Notes*" below for more information][Not Applicable][Delete as applicable]
37. **Foreign Exchange (FX) Rate Linked Note redemption provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes*" below for more information][Not Applicable][Delete as applicable]
38. **Reference Item Rate Linked Note redemption provisions** [Applicable – please refer to the section "*Provisions Applicable to Reference Item Rate Linked Notes*" below, for more information][Not Applicable][Delete as applicable]

PROVISIONS APPLICABLE TO EQUITY LINKED NOTES

(Annex 1 to Terms and Conditions)

(Delete entire section if Equity Linked Note provisions not applicable)

39. **Equity Linked Note Provisions:** [Applicable][Not Applicable][for the purposes of determining the "Rate of Interest" specified in item 18(vi)] (insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi))
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- The provisions of Annex 1 of the Terms and Conditions (Additional Terms and Conditions for Equity Linked Notes) shall apply
- (i) Type of Notes: [Single Share Linked Notes][Single Share Index Linked Notes][Share Basket Linked Notes][Share Index Basket Linked Notes][Delete as applicable]
- (ii) Share(s)/Share Basket/Single Share Index/Share Index Basket: [specify (i) names of each issuer of the Share(s), (ii) class of each Share, (iii) ISIN or other security identification code for each Share/Share Index for Single Share Index Linked Notes or each of the Share Indices for Share Index Basket Linked Notes (specifying where applicable if any such index is a Dividend Index)] [Reference Item[s]][k]]
- (iii) Share Index Sponsor(s): [Insert name(s) of Share Index Sponsor(s)/Share Dividend Index Sponsor(s)][Not Applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
- (iv) Exchange(s): [specify]
- (v) Related Exchange(s): [specify][All Exchanges]
- (vi) Exchange Business Day Convention: [Following Business Day Convention]
[Modified Following Business Day Convention]
- (vii) Strike Date: [specify][Not Applicable]

- (viii) Strike Period [and Strike Days]: *[Specify Strike Period][Not Applicable][Specify the applicable Strike Days in the Strike Period]*
- (ix) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are *[specify]* [See paragraph [] above]
- [In the event that an Averaging Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
- (x) Coupon Valuation Date(s): *[specify][Not Applicable]*
- (xi) Coupon Valuation Time: [Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]] *[specify]*, being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Interest Amount]
- (If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)*
- (xii) Redemption Valuation Date(s): *[specify][Not Applicable]*
- (xiii) Redemption Valuation Time: [Scheduled Closing Time][Any time [on the relevant Redemption Valuation Date][during the Observation Period]] *[specify]*, being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount]
- (xiv) Observation Date(s): *[specify][Not Applicable]*
- [In the event that an Observation Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
- (xv) Observation Period: *[specify][Not Applicable]*
- (xvi) [Valuation Date and] Specified Maximum Days of Disruption: [The definition of "Valuation Date" in Condition 21 will apply, for which purpose the] [Specified Maximum Days of Disruption will be equal to *[specify]*][As per the Conditions][Not Applicable]
- (xvii) Exchange Rate: *[specify]*

ADDITIONAL PROVISIONS APPLICABLE TO EQUITY LINKED NOTES ONLY

[Delete all following paragraphs if Equity Linked Note provisions are not applicable]

- (xviii) Calculation Agent: []
- (xix) Exchange Business Day Convention: [Following Business Day Convention][Modify Following Business Day Convention]
- (xx) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (xxi) Additional Business Centre(s): [Not Applicable][*Additional Business Centre(s)*]

PROVISIONS APPLICABLE TO INFLATION LINKED NOTES

(Annex 2 to Terms and Conditions)

[Delete all following paragraphs if Inflation Linked Note provisions not applicable]

- 40. Inflation Linked Note Provisions:** [Applicable][Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- The provisions of Annex 2 of the Terms and Conditions (*Additional Terms and Conditions for Inflation Linked Notes*) shall apply
- (i) Calculation Agent: []
- (If more than one Inflation Interest Rate is to be determined, repeat items (i) to (vii) for each such Inflation Rate and, if Digital Coupon One Condition or Digital Coupon Two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*
- (ii) Inflation Index: [] [Reference Item[s]][(k)]
- (Set out each Inflation Index level and insert "in respect of [specify date]" following each Inflation Index level)*
- (iii) Inflation Index Sponsor: []
- (iv) Related Bond: [Insert name and ISIN or other security identification code of Related Bond][Not Applicable][Fallback Bond]
[Delete as applicable]
- (v) Fallback Bond: [Applicable][Not Applicable]
- (vi) Strike Date: [specify][Not Applicable]
- (vii) Strike Period [and Strike Days]: [Specify Strike Period][Not Applicable][Specify the applicable Strike Days in the Strike Period]
- (viii) Inflation Index Level Adjustment:
(Annex 2, Section 1, paragraph 6 of Terms and Conditions) [See details in Section 3 of Annex 2 to Terms and Conditions][Option (i) as specified in paragraph 6 of Section 1 of Annex 2 to the Terms and Conditions]
[Option (ii) as specified in paragraph 6 of Section 1 of Annex 2 to the Terms and Conditions][Delete as applicable]
- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
[Delete as applicable]
- (x) Additional Business Centre(s): [Not Applicable] [Name(s) of Additional Business Centre(s)]

ADDITIONAL PROVISIONS RELATING TO CREDIT LINKED NOTES

- 41. Credit Linked Note Provisions:** [Applicable][Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*

The provisions of Annex 4 of the Terms and Conditions (*Additional Terms and Conditions for Credit Linked Notes*) shall apply

- (i) Final Redemption Amount: [] per Calculation Amount
- (ii) Settlement Method: [Auction Settlement/Cash Settlement/Physical Delivery]
- (iii) Calculation Agent City: [London][Madrid][specify other]
- (iv) Reference Entity: [Specify name]
- (v) Reference Obligation[s]: [][Standard Reference Obligation]

If Standard Reference Obligation is specified, insert and complete as applicable: Seniority Level: [Senior Level][Subordinated Level]

[The obligation[s] identified as follows:

- Primary Obligor: []
- Guarantor: []
- Maturity: []
- Coupon: []
- CUSIP/ISIN: []]

(N.B. repeat the above headings if there is more than one reference obligation)

- (vi) All Guarantees: [Applicable][Not Applicable]
- (vii) Credit Events: [Bankruptcy]
[Failure to Pay]
[Grace Period Extension: [Applicable][Not Applicable]

[If Applicable insert:

Grace Period: [30 calendar days][]]

[Obligation Default]

[Obligation Acceleration]

[Repudiation/Moratorium]

[Restructuring]

Provisions relating to Restructuring Credit Event: Credit Linked Condition 13: [Applicable][Not Applicable]

Provisions relating to Multiple Holder Obligation: Credit Linked Condition 14: [Applicable][Not Applicable]

Mod R: [Applicable/Not Applicable]

		Mod Mod R: [Applicable/Not Applicable]
		[Governmental Intervention]
	Default Requirement:	[]
	Payment Requirement:	[]
(viii)	Notice of Publicly Available Information:	[Applicable][Not Applicable]
		<i>[If Applicable:</i>
		Public Source(s): []
		Specified Number: []]
(ix)	Obligation(s):	
	(a) Obligation Category:	[Payment]
	(select one only)	[Borrowed Money]
		[Reference Obligation Only]
		[Bond]
		[Loan]
		[Bond or Loan]
	(b) Obligation Characteristics:	[Not Subordinated]
		[Credit Linked Specified Currency:
	(select all of which apply)	[Standard Specified Currencies]/[specify currency]]
		[Not Sovereign Lender]
		[Not Domestic Currency]
		Domestic Currency means: [specify currency]]
		[Not Domestic Law]
		[Listed]
		[Not Domestic Issuance]
	(c) Additional Obligation[s]:	[] [See Credit Linked Condition 17][Not Applicable]
		<i>(N.B. Specify "Not Applicable unless the provisions relating to LPN Reference Entities apply)</i>
	(d) Excluded Obligation[s]:	[]
(x)	Accrual of Interest upon Credit Event:	[Applicable][Not Applicable]
(xi)	Merger Event:	Credit Linked Condition 11: [Applicable][Not Applicable]

[If Applicable insert:

Merger Event Redemption Amount: []

Merger Event Redemption Date: [][Five (5) Business Days after the Calculation Agent determines that a Merger Event has occurred.]]

(xii) Unwind Costs: [Standard Unwind Costs][specify other][Not Applicable]

(xiii) Provisions relating to Monoline Insurer as Reference Entity: Credit Linked Condition 15: [Applicable][Not Applicable]

(xiv) Provisions relating to LPN Reference Entities: Credit Linked Condition 17: [Applicable][Not Applicable]

(xv) Further terms relating to settlement:

(a) Fallback Settlement Method: [Cash Settlement/Physical Delivery/Not Applicable]

(N.B. This only applies where Auction Settlement is specified. Otherwise specify as "Not Applicable")

(b) Business Day Convention: [Following][Modified Following][Preceding]

(c) Credit Event Redemption Amount: [[] per Calculation Amount][Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) applies][Not Applicable]

(N.B. Specify as "Not Applicable" if the Settlement Method is specified to be Physical Delivery)

(d) Credit Event Redemption Date: [[] Business Days][Not Applicable]

(N.B. Specify as "Not Applicable" if the Settlement Method is specified to be Physical Delivery)

(e) Valuation Date: [Applicable][Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) applies]

[If "Applicable" and a Single Valuation Date applies, insert: Single Valuation Date:

[] Business Days]

[If "Applicable" and Multiple Valuation Dates applies, insert: Multiple Valuation Dates:

[] Business Days and each [] Business Days thereafter

Number of Valuation Dates: []]

(N.B. If Cash Settlement is specified as the Settlement Method or the Fallback Settlement Method specify "Applicable". If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method specify that Credit Linked Condition 12 applies)

- (f) Valuation Time: [] [As per the definition in the Credit Linked Conditions]
- (g) Quotation Method: [Bid][Offer][Mid-market][See Credit Linked Condition 9]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method specify "See Credit Linked Condition 9")
- (h) Quotation Amount: [] [Representative Amount][See Credit Linked Condition 9]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method specify "See Credit Linked Condition 9")
- (i) Minimum Quotation Amount: [] [As per the definition in the Credit Linked Conditions][Not Applicable]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method specify "Not Applicable")
- (j) Quotation Dealers: [] [As selected by the Calculation Agent in accordance with the Credit Linked Conditions]
- (k) Accrued Interest: [Include Accrued Interest][Exclude Accrued Interest][See Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*)]
- (l) Valuation Method: [Market/Highest]

[Average Market/Highest/Average Highest]

[See Credit Linked Condition 9]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method specify "See Credit Linked Condition 9")
- (m) Deliverable Obligations: *(N.B. Specifications relating to Deliverable Obligations are required even if the Notes are not subject to Physical Delivery)*
- Deliverable Obligation Category: [Payment]
(select one only) [Borrowed Money]

[Reference Obligation only]

[Bond]

[Loan]

[Bond or Loan]
- Deliverable Obligation Characteristics: [Not Subordinated]
(select all of which apply) [Credit Linked Specified Currency:
[specify currency][Standard Specified Currencies]]

[Not Sovereign Lender]

[Not Domestic Currency]

Domestic Currency means: *[specify currency]*

[Not Domestic Law]

[Listed]

[Not Domestic Issuance]

[Assignable Loan]

[Consent Required Loan]

[Direct Loan Participation]

Qualifying Participation Seller: *[insert details]*

[Transferable]

[Maximum Maturity: []]

[Accelerated or Matured]

[Not Bearer]

[Not Applicable]

	Sovereign No Asset	[Applicable/Not Applicable]
	Package Delivery:	
(n)	Excluded Deliverable	[] [Not Applicable]
	Obligation[s]:	

(o)	Indicative Quotations:	[Applicable][Not Applicable]

(N.B. This is only relevant to the partial cash settlement provisions for Notes for which Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method. For such Notes specify "Applicable" or "Not Applicable" (as required). For all other Notes specify "Not Applicable")

(p)	Physical Settlement	[[] Business Days][Not Applicable]
	Period:	

(N.B. This will only apply to Notes for which Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method)

(q)	Settlement Currency:	[] [Not Applicable]

(r)	Cut-Off Date:	[] [Not Applicable]

(N.B. This is a date by which Asset Transfer Notices are required for timely settlement and will only apply to Notes for which Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method)

(xvi) Other Terms:

- (a) Subordinated European Insurance Terms: [Applicable/Not Applicable]
- (b) Financial Reference Entity Terms: [Applicable/Not Applicable]
- (c) Reference Obligation Only Termination Amount: [[]/Not Applicable]

(N.B. To be specified for the purposes of Credit Linked Condition 19 for Reference Obligation Only Notes only)

- (d) Additional Business Centre(s): [Not Applicable][Name(s) of Additional Business Centre(s)]

PROVISIONS APPLICABLE TO FUND LINKED NOTES

- 42. Fund Linked Note Provisions:** [Applicable][Not Applicable][for the purposes of determining the "Rate of Interest" specified in item 18(vi)] *(insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi))*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- The provisions of Annex 3 of the Terms and Conditions *(Additional Terms and Conditions for Fund Linked Notes)* shall apply
- (i) Fund/Fund Basket(s): [specify][Reference Item[s]][(k)]
- [The [specify] Fund is a Mutual Fund]
- [The [specify] Fund is a Hedge Fund]
- [The [specify] Fund is a Private Equity Fund]
- [The [specify] Fund is an Exchange Traded Fund]
- (ii) Listing of the Fund: []
- (iii) Authorisation of the Fund: []
- (iv) Fund Shares: [specify]
- [Weighting: [Not Applicable] [The weighting to be applied to each Fund Share comprising the Fund Basket is []]
- (v) Exchange: [specify][Not Applicable]
- (only applicable to ETFs)*
- (vi) Related Exchange: [specify][All Exchanges][Not Applicable]
- (only applicable to ETFs)*
- (vii) Exchange Business Day: [All Fund Share Basis][Per Fund Share Basis][Single Fund Share Basis][Not Applicable]
- (only applicable to ETFs)*
- (viii) Scheduled Trading Day: [All Fund Share Basis][Per Fund Share Basis][Single

		Fund Share Basis][Not Applicable]
		<i>(only applicable to ETFs)</i>
(ix)	Strike Date:	<i>[specify]</i>][Not Applicable]
		<i>(only applicable to ETFs)</i>
(x)	Strike Period [and Strike Days]:	<i>[specify strike period]</i>][Not Applicable] <i>[specify Strike Days in the period]</i>
(xi)	Averaging:	Averaging [applies][does not apply] to the Notes [The Averaging Dates are <i>[specify]</i>] [see paragraph [] above]
		[In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]
		[Specified Maximum Days of Disruption will be equal to: <i>[specify]</i>][five]]
		<i>(If not Specific Maximum Days of Disruption are stated, Specific Maximum Days of Disruption will be equal to five)</i>
(xii)	Observation Date:	<i>[specify]</i>][Not Applicable]
		In the event that an Observation Date is a Disrupted Date [Omission][Postponement][Modified Postponement] will apply
(xiii)	Observation Period:	<i>[specify]</i>][Not Applicable]
(xiv)	Coupon Valuation Date(s):	<i>[specify]</i>][Not Applicable]
(xv)	Redemption Valuation Date:	<i>[specify]</i>][Not Applicable]
(xvi)	Valuation Time <i>(only applicable to ETFs)</i> :	[Scheduled Closing Time][Any time [on the relevant [Coupon Valuation Date][Redemption Valuation Date]][during the Observation Period]] [<i>[specify]</i>], being the time specified on the relevant [Coupon Valuation Date][Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Fund Linked Interest Amount][Redemption Amount]
		<i>(If no time is specified, the Valuation Time will be the close of trading on the Exchange)</i>
(xvii)	Fund Service Provider:	<i>[specify]</i>][As set out in Fund Linked Conditions]
(xviii)	Trade Date:	[]
(xix)	Fund Documents:	<i>[specify]</i>][As per Fund Linked Conditions]
(xx)	Fund Business Day:	[(All Fund Share Basis)][(Per Fund Share Basis)][(Single Fund Share Basis)]
(xxi)	Initial Calculation Date:	<i>[specify]</i>][As set out in Fund Linked Conditions][Not Applicable]
(xxii)	Final Calculation Date:	<i>[specify]</i>][Not Applicable]

(xxiii)	Hedging Date:	[] [Not Applicable]
(xxiv)	Calculation Date(s):	[specify][As set out in per the Fund Linked Conditions] [Not Applicable]
(xxv)	AUM Level:	[specify][Not Applicable]
(xxvi)	NAV Trigger Percentage:	[] % [As per Fund Linked Conditions] [Not Applicable]
(xxvii)	NAV Trigger Period:	[specify][As per Fund Linked Conditions] [Not Applicable]
(xxviii)	Number of NAV Publication Days:	[specify][As per Fund Linked Conditions] [Not Applicable]
(xxix)	Basket Trigger Level:	[specify][As per Fund Linked Conditions] [Not Applicable]
(xxx)	Termination Amount:	[Principal Protected Termination Amount] [Non-Principal Protected Termination Amount] [Not Applicable] [specify]
(xxxi)	Termination Date:	[specify][Not Applicable]
(xxxii)	Fee:	[] [Not Applicable]
(xxxiii)	Protected Amount:	[specify][Not Applicable]
(xxxiv)	Simple Interest Spread:	[As per Fund Linked Conditions] [specify]
(xxxv)	Specified Maximum Days of Disruption:	[specify][five] <i>(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five. Only applicable to ETFs)</i>
(xxxvi)	Extraordinary Fund Event (in the case of a Private Equity Fund only):	[]
(xxxvii)	Delayed Redemption on the Occurrence of an Extraordinary Fund Event:	[Applicable] [Not Applicable]
(xxxviii)	Additional Extraordinary Fund Event:	[Not Applicable] []
(xxxix)	Calculation Agent:	[]
(xl)	Additional Business Centre(s):	[Not Applicable] [Name(s) of Additional Business Centre(s)]

PROVISIONS APPLICABLE TO FOREIGN EXCHANGE (FX) RATE LINKED NOTES

- 43. Foreign Exchange (FX) Rate Linked Note Provisions:** [Applicable] [Not Applicable] [for the purposes of determining the "Rate of Interest" specified in item 18(vi)] *(insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi)),*

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

- (i) Base Currency: [specify][Not Applicable][For Reference Item[(k)]: [insert]]
- (ii) Subject Currency/Currencies: [specify][Not Applicable][For Reference Item[(k)]: [insert]] [and EM Foreign Exchange Rate Provisions apply to such Subject Currency]
- (iii) Additional Disruption Event: *(Specify each of the following which applies)* [Change in Law][Hedging Disruption][Increased Cost of Hedging]
[Trade Date means [specify]]
- (iv) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [specify]][see paragraph [] above]
- (v) Observation Date(s): [specify][Not Applicable]
- (vi) Observation Period: [specify][Not Applicable]
- (vii) Strike Date: [specify][Not Applicable]
- (viii) Strike Period [and Strike Days]: [Specify Strike Period][Not Applicable][Specify the applicable Strike Days in the Strike Period]
- (ix) Coupon Valuation Date: [specify][Not Applicable]
- (x) Redemption Valuation Date: [specify][Not Applicable]
- (xi) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions do not apply to a Settlement Currency: [Applicable [in respect of [specify Subject Currencies to which these provisions apply where there is a Basket]]][Not Applicable]

(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)
 - (a) Delayed Redemption on the Occurrence of a Disruption Event: [Applicable][Not Applicable]
 - (b) Relevant Screen Page: [specify][Not Applicable]
 - (c) Specified Maximum Days of Disruption: [Specified Maximum Days of Disruption will be equal to: [specify][five]][Not Applicable]

(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)
 - (d) Price Source: [specify]
 - (e) Valuation Time: [specify][As per Foreign Exchange (FX) Rate Linked Note Condition 6]
- (xii) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions apply: [Applicable [in respect of [specify Subject Currencies to which these provisions apply where there is a Basket]]][Not Applicable]

(Where applicable for more than one Subject Currency,

complete as relevant for each such Subject Currency)

- (a) Provisions applicable to determining the Settlement Price: For the purpose of the definition of Settlement Price in Foreign Exchange (FX) Rate Linked Note Condition 6 [and *[specify the relevant Subject Currency where more than one Subject Currency]*]:

EM FX Price Source: *[specify]*

EM Valuation Time: *[specify]*

EM Scheduled Trading Day Jurisdiction: *[specify]*

- (b) EM Disruption Events: [Price Source Disruption]

[Illiquidity Disruption]

[Dual Exchange Rate]

[General Inconvertibility]

[General Non-Transferability]

[Material Change in Circumstance]

[Nationalisation]

[Price Materiality, where:

EM Price Materiality Percentage: *[specify]* [3]%

EM Primary Rate: *[specify]* [The rate determined as set out in the definition of Settlement Price]

EM Secondary Rate: *[specify]* [[EM First Fallback Reference Price [and]] [EM Second Fallback Reference Price]]

(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Events (or components thereof) also apply thereto)

- (c) EM Disruption Fallbacks: [EM Calculation Agent Determination]

[EM First Fallback Reference Price, where:

First Fallback EM FX Price Source: *[specify]*

First Fallback EM Valuation Time: *[specify]*

First Fallback EM Number of Settlement Days: *[specify]*]

[EM Second Fallback Reference Price, where:

Second Fallback EM FX Price Source: *[specify]*

Second Fallback EM Valuation Time: *[specify]*

Second Fallback EM Number of Settlement Days: *[specify]*]

[EM Valuation Postponement]

(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)

- (d) EM Maximum Days of Postponement: [specify]
(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)
- (e) EM Cumulative Events: [Not Applicable][Applicable and EM Maximum Cumulative Days of Postponement means [specify]]
(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)
- (f) EM Number of Settlement Days: [Two][Zero][specify other] [where Settlement Day Centre(s) means [specify]]
- (g) EM Number of Postponement Settlement Days: [[Two][specify]] [Business Days][EM Settlement Days] [specify]
- (h) Additional Business Centre(s): [Not Applicable] [Name(s) of Additional Business Centre(s)]

PROVISIONS APPLICABLE TO REFERENCE ITEM RATE LINKED NOTES

- 44. Reference Item Rate Linked Note Provisions:** [Applicable][Not Applicable][for the purposes of determining the "Rate of Interest" specified in item 18(vi)] *(insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi)),*
- [The [Floating][Fixed] Rate Note Provisions shall apply for the purposes of determining the Reference Item Rate on the basis of elections in this paragraph
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (If more than one Reference Item Rate is to be determined, include the following language: "Reference Item Rate [specify] is as follows:" and repeat items (i) to (vi) below for each such Reference Item Rate)*
- (i) Screen Rate Determination: [Applicable][Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Reference Item Rate: [specify]

- (b) Interest Determination Date(s): *[specify]*
- (e.g: Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR. Where the Rate of Interest is being used other than for a Floating Rate Note, ensure that this is not specified in respect of an Interest Period and the relevant Range Accrual Day may be specified where relevant for Range Accrual Notes.)*
- (c) Relevant Time: *[specify]*
- (for example 11.00 a.m., London time/Brussels time)*
- (d) Relevant Screen Page: *[specify]*
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (e) Relevant Financial Centre: *[specify]* *[For example, London/eurozone (where eurozone means the region comprised of the countries whose lawful currency is the euro)]*
- (ii) ISDA Determination: *[Applicable]**[Not Applicable]*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Floating Rate Option: *[specify]*
- (b) Designated Maturity: *[specify]*
- (c) Reset Date: *[specify]*
- (iii) [Reference Spread: *[Reference Item Rate [1][2] minus Reference Item Rate [1][2]]**[Not Applicable]*
- [See paragraph [] [above] [below]*
- (If a Reference Spread applies for each Interest Period, the Reference Spread shall be specified separately for each Interest Period)]*
- (iv) Coupon Valuation Date(s): *[specify]**[Not Applicable]*
- (v) Rate Cut-Off Date: *[specify]**[See paragraph [specify] [above] [below] [Not Applicable]*
- (vi) Business Day: As used in this item and for the purpose of determining the Reference Item Rate only, "**Business Day**" means [a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [specify] [A Target Settlement Day]] [a "U.S. Government Securities Business Day", being any day except for a Saturday, Sunday or a day on which the Securities Industry and

Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for the purposes of trading in U.S. government securities]

[Not Applicable]

45. Provisions applicable to Physical Delivery: [Applicable][in accordance with Credit Linked Conditions and paragraph 40 above][Not Applicable]

(If not applicable or the Notes are Credit Linked Notes, delete the remaining sub-paragraphs of this paragraph)

(i) Entitlement Amount: *(Insert formula, relevant value(s) and other related definitions from Payout Condition 4)*

(ii) Relevant Asset(s): [specify]

(iii) Cut-off Date: [specify][As specified in Condition 7]

(iv) Settlement Business Day(s): [specify]

(v) Delivery Agent: [specify] of [specify address]

(vi) Assessed Value Payment Amount: [Applicable][Not Applicable]

(vii) Failure to Deliver due to Illiquidity: [Applicable][Not Applicable]

46. Variation of Settlement: The Issuer [has][does not have] the option to vary settlement in respect of the Notes as set out in Condition 7(i)(ii)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

47. Form of Notes: Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]

[Temporary Global Note exchangeable for Definitive Notes on [] days' notice][Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][Delete as applicable]³

[Registered Notes: [Restricted [U.S.][International] Global Note Certificate registered in the name of a nominee for [DTC]][Unrestricted [U.S.][International] Global Note Certificate registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]] [Delete as applicable]

³ The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 6 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."

48. Additional Business Centres for Condition 7(h) or other special provisions relating to Payment Dates: [Not Applicable][*Insert Additional Business Centre (Note that this item relates to the date and place of payment, and not interest period end dates)*]
49. New Global Note Form: [Yes][No]
50. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, insert dates*]
51. Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): [Not Applicable] []
52. Consolidation provisions: [Not Applicable/The provisions [in Condition 13 (*Further Issues*)] apply]

[PURPOSE OF FINAL TERMS]

These Final Terms comprise the final terms required for issue and admission to trading on [*specify relevant market*] of the Notes described herein pursuant to the EUR 10,000,000,000 Euro Medium Term Note Programme of Santander International Products plc.]

RESPONSIBILITY

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

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: _____

By: _____

Duly authorised

Duly authorised

By: _____

By: _____

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing [(Insert Listing)] [Not Applicable]
- (ii) Admission to trading [Application has been made by the Issuer (or on its behalf) [to the Irish Stock Exchange] for the Notes to be admitted to [the Official List and] trading on [it's Regulated Market] /[] with effect from [].]
- [Application is expected to be made by the Issuer (or on its behalf) [to the Irish Stock Exchange] for the Notes to be admitted to [the Official List and] trading on [it's Regulated Market] /[] with effect from [].][Not Applicable]
- [N.B.: To be inserted if Notes are listed on the Taipei Exchange: Application has [also] been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Taipei Exchange in the Republic of China ("TPEX"). TPEX is not responsible for the content of these Final Terms, the Base Prospectus [and the supplement[s] thereto] and no representation is made by TPEX to the accuracy or completeness of these Final Terms [and], the Base Prospectus [and the supplement[s] thereto]. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Pricing Supplement [and] the Base Prospectus [and the supplement[s] thereto. Admission to trading of the Notes on TPEX shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Notes.]*

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

2. RATINGS

Ratings: The Notes to be issued have been rated:

[]

[]

[]

[Insert full name of legal entity that has given the rating] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[Insert full name of legal entity that has given the rating] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended).]

[Insert full name of legal entity that has given the rating] is a third country rating agency that is endorsed

by an EU registered agency and [has/has not] applied for registration under Regulation (EC) No 1060/2009 (as amended) but is certified in accordance with such regulation.]

[Insert full name of legal entity that has given the rating] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009 (as amended).]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 (as amended) ("**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

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

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

A rating is not a recommendation by any rating organisation to buy, sell or hold Notes and may be subject to revision or withdrawal at any time by the assigning rating organisation.

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

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

"Save as discussed in ["Plan of Distribution"] and "General Information", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

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

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND ESTIMATED TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING**

(i) [Reasons for the offer:] [] *[(See ["Use of Proceeds"] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here and then also complete (ii) and (iii) below.)]*

(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.)

- (iii) [Estimated total expenses:] [] [Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]

[(If the Notes are derivative securities to which Annex XII of the Commission Regulation (EC) No. 809/2004 applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

5. [Fixed Rate Notes only – YIELD]

Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Floating Rate Notes Only – HISTORIC INTEREST RATES]

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters and/or Bloomberg].]

7. [CMS Linked Notes Only – HISTORIC RATES]

Details of historic swap rates can be obtained from [Reuters].]

8. [Inflation Linked Notes, Equity Linked Notes, Credit Linked Notes, Fund Linked Notes or Foreign Exchange (FX) Rate Notes – PERFORMANCE OF INDEX/FORMULA/FUND/CURRENCY/REFERENCE ENTITY, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND OTHER INFORMATION CONCERNING THE UNDERLYING]

Need to insert link or give other indication of where information on past and future performance and volatility of the equity/index/formula/fund/reference entity/other variable can be obtained. [Where the underlying is an Inflation Index, Share Index or other index, need to include the name of the index and insert a link or give other indication as to where further information about the Inflation Index, Share Index or other index can be found. [Where the underlying is a Share, include name of issuer of such Share and ISIN or other relevant identification number and insert link or give other indication of where further information of Share can be found.][Where the underlying is not an index, need to include equivalent information including, in the case of Fund Linked Notes, pricing information, name and (if relevant) ISIN of underlying, and insert link or give other indication of where further information relating to the underlying can be found.]

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

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

9. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT]

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

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

10. OPERATIONAL INFORMATION

ISIN: []

Common Code: []

CUSIP Code: []

Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

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

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

Intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable]

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] *[include this text for registered notes held under the NSS]*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[include this text if "yes" selected in which case the bearer Global Notes must be issued in NGN form/the registered Global Note Certificates must be held under the NSS]*

[No. While the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]*[include this text for registered notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

11. DISTRIBUTION

- (i) Method of distribution [Syndicated/Non-syndicated]
- (ii) If syndicated, names [and addresses] of Managers and underwriting commitments/quotas (material features): [Not Applicable/give names, addresses and underwriting commitments]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) [Date of [Subscription Agreement]]: []
- (iv) Stabilisation Manager(s) (if any): [Not Applicable][give names]
- (v) If non-syndicated, name and address of relevant Dealer: []
- (vi) Total commission and concession: []% of the Aggregate Nominal Amount
- (vii) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; [Rule 144A]; [TEFRA C/TEFRA D/TEFRA not applicable]]
- (viii) [Public/Non-exempt] Offer [where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus] [Applicable] [Not Applicable]*(if not applicable, delete the remaining placeholders of this paragraph (viii) and also paragraph 13 below)*
[Germany]
[Poland]
[Public/Non-exempt] Offer [Specify relevant Member State(s) where the issuer intends to make Public/Non-exempt Offers (where the Base Prospectus lists the Public/Non-exempt Offer Jurisdictions, select from that list), which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)]
Jurisdictions:

Offer Period: [Specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"]

Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the Conditions in it: [Insert names and addresses of financial intermediaries receiving consent (specific consent)]

General Consent: [Not Applicable][Applicable]

Other Authorised Offeror Terms :

[Not Applicable][Add here any other Authorised Offeror Terms]

(Authorised Offeror Terms should only be included here where General Consent is applicable)

(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a [Public/Non-exempt] offer [where there is no

exemption from the obligation under the Prospectus Directive to publish a prospectus] in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. [Public/Non-exempt] offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)

12. U.S. TAX CONSIDERATIONS

[The Notes are [not] Specified Notes for purposes of Section 871(m).][The Notes will not be Specified Notes if they (i) are issued prior to 1 January 2017 or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes are issued after 1 January 2017 and reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities, further analysis would be required.

13. TERMS AND CONDITIONS OF THE OFFER

(Delete whole section if sub-paragraph 11(viii) above is specified to be Not Applicable because there is no [Public/Non-exempt] Offer)

Offer Price: [Issue Price/Not Applicable/specify]

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

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

Details of the minimum and/or maximum amount of application: [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 method and time limits for paying up and delivering the Notes: [Not Applicable/give details]

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]

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 Authorised Offerors identified in paragraph [11] above and identifiable from

the offer takes place

[Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:]

14. [ROC TAXATION]

the Base Prospectus/*None/give details*]

[*None/give details*]

[The following is a general description of the principal Republic of China ("ROC") tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature based on the Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Notes will be issued, offered, sold and re-sold to professional institutional investors as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes.]

15. [ROC TRADING]

[An investor with a securities book-entry account with a ROC securities broker and a foreign currency deposit account with a ROC bank may request the approval of the Taiwan Depository & Clearing Corporation ("TDCC") to the settlement of the Notes through the account of TDCC with Euroclear or Clearstream and if such approval is granted by the TDCC, the Notes may be so cleared and settled. In such circumstances, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second ROC business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one ROC

business day after the distribution date). However, when the holders will actually receive such distributions may vary depending upon the daily operations of the ROC banks with which the holder has the foreign currency deposit account.]

ANNEX

SUMMARY OF THE NOTES

[Issue specific summary to be inserted in the case of Notes issued with minimum denomination of less than EUR 100,000 (or its equivalent in another currency)]

PRO FORMA PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.

Pricing Supplement dated []

Santander International Products plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

BANCO SANTANDER, S.A.

under the

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

PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer 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 to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

[The Notes have not been and shall not be, offered or sold or re-sold, directly or indirectly to investors other than professional institutional investors ("**Professional Institutional Investors**") as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the Republic of China ("**ROC**"). Purchasers of the Notes are not permitted to sell or otherwise dispose of the notes except by transfer to a Professional Institutional Investor.]

This document constitutes the Pricing Supplement of the Notes described herein. This Pricing Supplement must be read in conjunction with the Base Prospectus dated 8 July 2016 [as supplemented by the supplement[s] dated [date[s]]] (the "**Base Prospectus**"). **Prospective investors should note that investing in the Notes entails certain risks including (without limitation) the risk that the Issue Price may be greater than the market value of the Notes [and the risk that the Calculation Agent may exercise its discretion in such a way as to affect amounts due and payable under the Notes and/or their Maturity Date]. For a more detailed description of certain of the risks involved, see "Risk Factors" on pages 42 to 91 of the Base Prospectus.**

Full information on the Issuer, the Guarantor and the offer of the Notes described herein is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus is available for viewing at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus [dated [original date] [and the supplement dated [date]]] which are incorporated by reference in the Base Prospectus].⁴

Prospective investors should note that investing in the Notes entails certain risks including (without limitation) the risk that the Issue Price may be greater than the market value of the Notes [and the risk that the Calculation Agent may exercise its discretion in such a way as to affect amounts due and payable under the Notes and/or their Maturity Date]. For a more detailed description of certain of the risks involved, see "Risk Factors" on pages 42 to 91 of the Base Prospectus (as supplemented).

⁴ Only include this language where it is a fungible issue and the original Tranche was issued under a Base Prospectus with a different date.

[Taipei Exchange ("**TPEx**") is not responsible for the content of this Pricing Supplement, the Base Prospectus [and the supplement[s] thereto] and no representation is made by TPEx to the accuracy or completeness of these Final Terms [and], the Base Prospectus [and the supplement[s] thereto]. TPEx expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Pricing Supplement [and] the Base Prospectus [and the supplement[s] thereto]. Admission to trading of the Notes on TPEx shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Notes.]

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

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be €100,000 or its equivalent in any other currency.]

1.
 - (i) Issuer: Santander International Products plc
 - (ii) Guarantor: Banco Santander, S.A.
2.
 - (i) Series Number: []
 - (ii) Tranche Number: []
 - (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 48 below, which is expected to occur on or about *[date]*][Not Applicable]
 - (iv) Applicable Annex(es): [Not Applicable]
[Annex 1: Equity Linked Conditions]
[Annex 2: Inflation Linked Conditions]
[Annex 3: Fund Linked Conditions]
[Annex 4: Credit Linked Conditions]
[Annex 5: Foreign Exchange (FX) Rate Linked Conditions]
[Annex 6: Payout Conditions [for the purposes of Payout Condition 6 only]]
3. Specified Currency or Currencies: [][(the "**SER Subject Currency**") for the purpose of the Specified Denomination and calculations and [] (the "**Settlement Currency**") for the purpose of payments]
4. Aggregate Nominal Amount of Notes:
 - (i) Series: []
 - (ii) Tranche: []
5. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]converted into the Settlement Currency at the Initial Settlement Exchange Rate, being *[specify amount]* in respect of the Aggregate Nominal Amount and "**Initial SER**" means *[specify]*
6.
 - (i) Specified Denominations: []

- (ii) Calculation Amount (in relation to calculation of interest in global form see Conditions): *[the Specified Denomination][Insert in the case of Instalment Notes: (the "**Original Calculation Amount**") minus, for the purposes of any calculation by reference to the Calculation Amount on any day, the sum of the Instalment Amounts paid prior to the relevant day [save for the purposes of calculation of any [Interest Amount][Final Redemption Amount][Early Redemption Amount][Automatic Early Redemption Amount][Optional Redemption Amount][Entitlement Amount] [[payable][deliverable] on [specify]] for which purposes the Original Calculation Amount will continue to apply]*
- If there are several Specified Denominations, insert the highest common factor of those Specified Denominations. (Note: there must be a common factor of two or more Specified Denominations)*
7. (i) Issue Date: []
- (ii) Interest Commencement Date (if different from the Issue Date): *[Specify] Issue Date [Not Applicable]*
- [An Interest Commencement Date will not be relevant for certain Notes, for example, Zero Coupon Notes]*
8. Maturity Date: *[Specify date or (for Floating Rate Notes, CMS-Linked Notes, Inflation Linked Notes, Equity Linked Notes, Fund Linked Notes, Foreign Exchange (FX) Rate Linked Notes or Other Reference Item Linked Notes) Interest Payment Date falling in or nearest to the relevant month and year][or such later date for redemption determined as provided in the [[Fund Linked Conditions][Credit Linked Conditions][or, in all circumstances if applicable, such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition [6]]*
- [For Credit Linked Notes, if applicable insert: [] (the "**Scheduled Maturity Date**"), subject to the provisions of the Credit Linked Conditions and this Pricing Supplement]*
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available]*
- [If the Maturity Date is less than one year from the Issue Date the Notes must comply with the Central Bank's notice by the Central Bank of Ireland of exemptions granted under section 8(2) of the Central Bank Act, 1971 as amended (BSD C01/02) and, inter*

alia, have a minimum Specified Denomination of Euro 125,000. In addition such Notes must bear the following legend:

"An investment in the Notes does not have the status of a bank deposit and does not have the protection of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes."

9. Interest Basis:

[[] % Fixed Rate]

[[specify reference rate] +/- [] % Floating Rate]

[Index/Fund Linked Interest]

[CMS-Linked: [specify reference rate] +/- [] %]

[Other (Specify)]

[Equity Linked: please see the section headed *Provisions Applicable to Equity Linked Notes* below for more details]

[Inflation Linked: please see *Provisions Applicable to Inflation Linked Notes* below for more details]

[Reference Item Rate Linked: please see *Provisions Applicable to Reference Item Rate Linked Notes* below for more details]

[Fund Linked: please see *Provisions Applicable to Fund Linked Notes* below for more details]

[Credit Linked: please see *Provisions Applicable to Credit Linked Notes* below for more details]

[Foreign Exchange (FX) Rate Linked: please see *Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes* below for more details]

[Other Reference Item Linked Interest Amount: please see *Other Reference Item Linked Interest Notes Provisions* below for more details]]

[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]

[Zero Coupon]

(further particulars specified below)

10. Redemption/Payment basis:

[Redemption at par]

[See item 30 below]

[Dual Currency]

[Partly Paid]

[Instalment]

[Other (*specify*)]

[Index/Fund Linked Redemption]

[Equity Linked: please see the section headed *Provisions Applicable to Equity Linked Notes* below for more details]

[Fund Linked: please see *Provisions Applicable to Fund Linked Notes* below for more details]

[Inflation Linked: please see paragraph *Provisions Applicable to Inflation Linked Notes* below for more details]

[Reference Item Rate Linked: please see *Provisions Applicable to Reference Item Rate Linked Notes* below for more details]

[Credit Linked: please see paragraph *Additional Provisions relating to Credit Linked Notes* at item 43 below and the Credit Linked Conditions for more details]

[Foreign Exchange (FX) Rate Linked: please see *Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes* below for more details]

[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]

[Other Reference Item Linked: please see details set out at *Final Redemption Amount of each Note* below for more details.]

11. Reference Item(s):

[The following Reference Item(s)[(k)] [(from [k] = 1 to [[k][specify]])] will apply [for [Interest][and][Redemption] determination purposes:][Not Applicable]

[For [k] = 1][specify][insert description][(see paragraph [specify])]

(Repeat if necessary)

[and]

[The following Reference Item(s)[(k)] [(from [k] = [specify] to [k] = [specify])] will apply [for [Redemption] determination purposes]:

[For [k] = [specify]][specify][insert description][(see paragraph [specify])]

(Repeat if necessary)

12. Change of Interest or Redemption/Payment Basis:

[Applicable/Not Applicable] [Specify the date when any change to the Interest Basis or Redemption/Payment Basis occurs with reference to

- paragraphs 19 and 20 below]*
13. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
[Not Applicable]
14. Settlement Exchange Rate Provisions: [Not Applicable][Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Settlement Exchange Rate: [Specify rate] [As per Payout Condition [6]]
(if a rate is specified then delete the remaining sub-paragraphs of this paragraph)
- (ii) SER Valuation Date(s): [specify] [[specify] SER Scheduled Trading Days prior to the [scheduled] [specify each payment date]]
(where different SER Valuation Dates apply to different payment dates, specify in respect of each applicable payment date)
- (iii) Provisions applicable to determining the Settlement Exchange Rate: For the purpose of the definition of Settlement Exchange Rate in Payout Condition [6]:
SER Price Source: [specify]
SER Valuation Time: [specify]
SER Scheduled Trading Day Jurisdiction: [specify]
- (iv) SER Disruption Events: [Price Source Disruption]
[Illiquidity Disruption]
[Dual Exchange Rate]
[General Inconvertibility]
[General Non-Transferability]
[Material Change in Circumstance]
[Nationalisation]
[Price Materiality, where:
SER Price Materiality Percentage: [specify][3]%
SER Primary Rate: [specify][The rate determined as set out in the definition of Settlement Exchange Rate]
SER Secondary Rate: [specify][SER First Fallback Reference Price [and]][SER Second Fallback Reference Price]]

- (v) SER Disruption Fallbacks (for Price Source Disruption and Price Materiality only): [Calculation Agent Determination]
- [First Fallback Reference Price, where:
- SER First Fallback Price Source: *[specify]*
- SER First Fallback Valuation Time: *[specify]*
- SER First Fallback Number of Settlement Days: *[specify]*
- [Second Fallback Reference Price, where:
- SER Second Fallback Price Source: *[specify]*
- SER Second Fallback Valuation Time: *[specify]*
- SER Second Fallback Number of Settlement Days: *[specify]*
- [Valuation Postponement]
- SER Number of Postponement Settlement Days: *[[Two][specify]] [Business Days][SER Settlement Days] [specify]*
- SER Maximum Days of Postponement: *[specify]*
- (specify fallbacks required and arrange order in which to be applied)*
- (vi) SER Cumulative Events: [Not Applicable][Applicable and SER Maximum Cumulative Days of Postponement means *[specify]*]
- (vii) SER Number of Settlement Days: *[Two][Zero][specify other]* [where SER Settlement Day Centre(s) means *[specify]*]
- (viii) SER Additional Disruption Event: *(Specify each of the following which applies)* [Change in Law][Hedging Disruption][Increased Cost of Hedging]
- [Trade Date means *[specify]*]
- 15.** (i) Status of the Notes: Senior
- (ii) Status of the Guarantee: Senior
- (iii) [Date [Board] approval for issuance of Notes [and Guarantee] [respectively] obtained: [] [and []], respectively]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of the Notes or related Guarantee)*
- 16.** Knock-in Event: [Not Applicable][Applicable: Knock-in Value is *[(i)][greater than][greater than or equal to][less than][less than or equal to]* the Knock-in [Level][Price][within the Knock-in Range] (Only

applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-in Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph)

(Insert for Reference Item Linked Notes)

(i)	Knock-in Value:	[insert definition from Payout Condition 5.2]
(ii)	Knock-in Level/Knock-in Price:	[specify value or percentage]
(iii)	Knock-in Range:	From and [including][excluding] [specify range of values, percentages, level, or prices etc.] to and [including][excluding] [specify range of values, percentages, level, or prices etc.] [Not Applicable]
(iv)	Knock-in Determination Day(s):	[specify][Each Scheduled Trading Day in the Knock-in Determination Period][Not Applicable]
		[In the event that a Knock-in Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
(v)	Knock-in Determination Period:	[specify][Not Applicable]
(vi)	Knock-in Period Beginning Date:	[Applicable][specify][Not Applicable]
(vii)	Knock-in Period Beginning Date Scheduled Trading Day Convention:	[Applicable][Not Applicable]
(viii)	Knock-in Period Ending Date:	[specify][Not Applicable]
(ix)	Knock-in Period Ending Date Scheduled Trading Day Convention:	[Applicable][Not Applicable]
(x)	Knock-in Valuation Time:	[specify][Scheduled Closing Time][Any time on a Knock-in Determination Day][Not Applicable]
- 17.** Knock-out Event:
- [Not Applicable][Applicable: The Knock-out Value is [(i)] [greater than][greater than or equal to][less than][less than or equal to] the Knock-out [Level][Price] [within the Knock-out Range]

(Only applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-out Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph)

(Insert for Reference Item Linked Notes)

(i)	Knock-out Value:	[insert definition from Payout Condition 5.2]
(ii)	Knock-out Level/Knock-out Price:	[specify value or percentage]
(iii)	Knock-out Range:	From and [including][excluding] [specify range of values, percentages, level, or prices etc.] to and [including][excluding] [specify range of values, percentages, level, or prices etc.][Not Applicable]
(iv)	Knock-out Determination Day(s):	[[From and including][From and excluding][To and

- including][To but excluding][specify]]
- [specify][Each Scheduled Trading Day in the Knock-out Determination Period][Not Applicable]
- [In the event that a Knock-out Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
- (v) Knock-out Determination Period: [specify][Not Applicable]
- (vi) Knock-out Period Beginning Date: [specify][Not Applicable]
- (vii) Knock-out Period Ending Date: [specify][Not Applicable]
- (viii) Knock-out Period Beginning Date Scheduled Trading Day Convention: [Applicable][Not Applicable]
- (ix) Knock-out Period Ending Date Scheduled Trading Day Convention: [Applicable][Not Applicable]
- (x) Knock-out Valuation Time: [specify][Scheduled Closing Time][Any time on a Knock-out Determination Day][Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 18. Interest:** [Applicable][Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Payment Date(s): [] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Day Jurisdictions for Condition 7(h)]] [not adjusted] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition [6] of the Payout Conditions]]
- (ii) Margin(s): [+ [specify][%][per annum]] [Not Applicable]
- (If a Margin applies for each Interest Period, the Margin shall be specified separately for each Interest Period)*
- (iii) Minimum Interest Rate: [[specify][%][per annum]] [Not Applicable]
- (If a Minimum Interest Rate applies for each Interest Period, the Minimum Interest Rate shall be specified separately for each Interest Period)*
- (iv) Maximum Interest Rate: [[specify][%][per annum]] [Not Applicable]
- (If a Maximum Interest Rate applies for each Interest Period, the Maximum Interest Rate shall be specified separately for each Interest Period)*
- (v) Day Count Fraction: [30/360][Actual/Actual (ICMA/ISDA)][specify other] [Not Applicable]
- (vi) Rate of Interest: [In respect of each Interest Payment Date [(from [specify] to [specify])][falling [on][during the period from and including] [specify] [to and including

[specify]] only]] [Not Applicable]] the Rate of Interest shall be determined by the Calculation Agent [as]] [in accordance with the following formula(s)]:

[Fixed Rate]

[Floating Rate]

(The above formulation may be repeated as necessary)

(In respect of the following, insert formula, relevant value(s) and other related definitions from Payout Condition 2.1 and relevant definitions from Payout Condition 5)

[Rate of Interest (i)]

[Rate of Interest (ii)]

[Rate of Interest (iii)]

[Rate of Interest (iv)]

[Rate of Interest (v)]

[Rate of Interest (vi)]

[Rate of Interest (vii)]

[Rate of Interest (viii) – Range Accrual]

[Rate of Interest (ix) – Digital One Barrier]

[Rate of Interest (x) – Podium]

[Rate of Interest (xi) – Memory Coupon]

[Rate of Interest (xii) – Counter]

[Rate of Interest (xiii) – Variable Counter]

[Rate of Interest (xiv) – Call with Individual Caps]

[Rate of Interest (xv) – Cappuccino]

[Rate of Interest (xvi) – Fixed Best]

[Rate of Interest (xvii) – Cliquet]

[Rate of Interest (xviii) – Cliquet Digital]

[Rate of Interest (xix) – Cliquet Digital Lock in]

[Rate of Interest (xx) – Digital Coupon One Condition Condition]

[Rate of Interest (xxi) – Digital Coupon Two Conditions]

[Rate of Interest (xxii) – TARN]

[Rate of Interest (xxiii) – Ratchet]

[Rate of Interest (xxiv) – Booster]

[Rate of Interest (xxv)]

[Rate of Interest (xxvi) – Call Option Interest Rate]

[Rate of Interest (xxvii) – Put Option Interest Rate]

[Rate of Interest (xxviii) – Lock in]

(If the Rate of Interest is calculated by reference to Reference Items, Valuation Dates, Observation Dates etc. or is otherwise calculated differently in respect of each Interest Payment Date, above options may be repeated and numerical suffixes may be used to clarify which Reference Item, Rate of Interest, Valuation Date, Observation Date etc. applies in respect of the corresponding Interest Payment Date)

19. Fixed Rate Note Provisions:

[Applicable/Not Applicable]

(If more than one fixed rate is to be determined repeat items (i) to (ii) of this paragraph for each such rate and, if Digital Coupon One Condition or Digital Coupon Two Conditions apply distinguish between

the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)

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

- (i) Rate[(s)] of Interest: []% per annum [payable [annually/semi-annually/quarterly/monthly/other/(specify)] in arrear]
- (ii) Fixed Coupon Amount[(s)] for Notes in definitive form (and in relation to Notes in global form see Conditions): [] per Calculation Amount
- (iii) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (iv) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable][give details]

- 20. Floating Rate and CMS Linked Note Provisions:** [Applicable/Not Applicable] [for purposes only of determining the "Rate" element of the Rate of Interest specified in item [18(vi)]] *(insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi))*

(If more than one floating rate is to be determined, repeat items [Specify] to [Specify] for each such rate and, if Digital Coupon One Condition or Digital Coupon Two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)

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

- (i) Specified Period: []
(Specified Period and specified Interest Payment Dates are alternatives. A Specified Period, rather than specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
- (ii) [First Interest Payment Date:] []
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable][Business Day Convention only needs to be specified here if Specified Periods are specified]
- (iv) Additional Business Centre(s): [Not Applicable][give details]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the [[Name] shall be the Calculation Agent (no need to

- Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): *specify if the Principal Paying Agent is to perform this function)*
- (vii) Margin Plus Rate: [Applicable][Not Applicable]
- (viii) Specified Percentage Multiplied by Rate: [Applicable][Not Applicable]
- (ix) Difference in Rates: [Applicable][Not Applicable]
- (x) Screen Rate Determination of Rate:
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [] [For example, Reuters LIBOR 01/EURIBOR 01]
 - Relevant Time: [] [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/eurozone (where eurozone means the region comprised of the countries whose lawful currency is the euro)]
- (xi) ISDA Determination of Rate:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xii) Screen Rate Determination of Rate 2:
(in relation to Difference in Rates only)
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [For example, Reuters LIBOR 01/EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/eurozone (where eurozone means the region comprised of the countries whose lawful currency is the euro)]
- (xiii) ISDA Determination of Rate 2:
(in relation to Difference in Rates only)
- Floating Rate Option: []
 - Designated Maturity: []

- Reset Date: []
 - (xiv) Specified Percentage: [[]%][Not Applicable]
 - (xv) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes or CMS-Linked Notes, if different from those set out in the Conditions: []
- 21. Other Reference Item Linked Interest Note Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Other Reference Item: []
 - (ii) Calculation Agent responsible for calculating the interest due: []
 - (iii) Provisions for determining Coupon where calculation by reference to Formula and/or Other Reference Item: []
 - (iv) Interest Determination Date(s): []
 - (v) Provisions for determining Coupon where calculation by reference to Formula and/or Other Reference Item is impossible or impracticable or otherwise disrupted: []
 - (vi) Interest or calculation period(s): []
 - (vii) Specified Period: []
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (viii) Specified Interest Payment Dates: []
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other Business Day convention][Delete as applicable]
 - (x) Additional Business Centre(s): []

- (xi) Minimum Rate/Amount of Interest: []% per annum
- (xii) Maximum Rate Amount of Interest: []% per annum
- (xiii) Day Count Fraction []
- 22. Dual Currency Note Provisions:**
- (i) Rate of Exchange/method of calculating Rate of Exchange: []
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []
- 23. Equity Linked Note interest provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Equity Linked Notes*" and "*Additional Provisions Applicable To Equity Linked Notes Only*", below, for more information][Not Applicable][*Delete as applicable*]
- 24. Inflation Linked Note interest provisions:** [Applicable – please refer to "*Provisions Applicable to Inflation Linked Notes*", below, for more information][Not Applicable][*Delete as applicable*]
- 25. Fund Linked Note interest provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Fund Linked Notes*" below for more information][Not Applicable][*Delete as applicable*]
- 26. Foreign Exchange (FX) Rate Linked Note interest provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes*" below for more information][Not Applicable][*Delete as applicable*]
- 27. Reference Item Rate Linked Note interest provisions:** [Applicable – please refer to the section "*Provisions Applicable to Reference Item Rate Linked Notes*" below, for more information][Not Applicable][*Delete as applicable*]
- 28. Zero Coupon Note provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs)
- (i) Accrual Yield: []% per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining the amount payable for Zero Coupon Notes which are Exempt Notes: []
- (iv) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]

[Actual/365]

PROVISIONS RELATING TO REDEMPTION

29. Call Option:

[Applicable/Not Applicable]

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

- (i) Optional Redemption Date(s) (Call): [] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6]

(NB: In the case of Call Option Rate Notes, the Optional Redemption Date(s) (Call) must be Interest Payment Dates (other than the first and final Interest Payment Dates))

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount

- (iii) If redeemable in part:

(a) Minimum Redemption Amount: [] per Calculation Amount

(b) Maximum Redemption Amount: [] per Calculation Amount

- (iv) Notice period: [] **[[●]] Business Days** (the "**Minimum Early Redemption Notice Period**") *(NB: to be included for Call Option Rate Notes – may not be less than ten Business Days)*

30. Put Option:

[Applicable/Not Applicable]

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

- (i) Optional Redemption Date(s) (Put): [] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6] *(NB: In the case of Put Option Rate Notes, the Optional Redemption Date(s) (Put) must be Interest Payment Dates (other than the first and final Interest Payment Dates))*

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount

- (iii) Notice period: [] **[[●]] Business Days** (the "**Minimum Early Redemption Notice Period**") *(NB: to be included for Put Option Rate Notes – may not be less than ten Business Days)*

(The Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call and 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example,

as between the Issuer and the Principal Paying Agent/Registrar)

- 31. Final Redemption Amount of each Note:** [Calculation Amount * [specify] %][Calculation Amount * Final Payout] [, subject to [specify]]/See Equity Linked redemption provisions below/See Inflation Linked Note redemption provisions below/See Reference Item Rate Linked Note redemption provisions below/See Credit Linked Note redemption provisions below/See Fund Linked redemption provisions below/See Foreign Exchange (FX) Rate Linked redemption provisions below]
- In cases where the Final Redemption Amount is an Other Reference Item Linked Redemption Note: [See also "Additional Provisions relating to Credit Linked Notes" at item 42 below and the Credit Linked Conditions]
- (i) Formula/Other Redemption Item: [] [Not Applicable]
 - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
 - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Formula and/or other Other Redemption Item: [] [Not Applicable]
 - (iv) Date for determining Final Redemption Amount where calculation by reference to Formula and/or Other Redemption Item: [] [Not Applicable]
 - (v) Provisions for determining Final Redemption Amount where calculation by reference to Formula and/or Other Redemption Item is impossible or impracticable or otherwise disrupted: [] [Not Applicable]
 - (vi) [Payment Date:] []
 - (vii) Minimum Final Redemption Amount: [] per Calculation Amount
 - (viii) Maximum Final Redemption Amount: [] per Calculation Amount
 - (ix) Other relevant provisions on conditions: [Insert as applicable] [Not Applicable]
- 32. Final Payout:** [Not Applicable]
- (In respect of the following, insert formula from Payout Condition 2.2 and relevant definitions from Payout Condition 5)
- [Redemption (i)]
 - [Redemption (ii)]
 - [Redemption (iii)]
 - [Redemption (iv)]
 - [Redemption (v)]

[Redemption (vi)]
 [Redemption (vii) – Booster]
 [Redemption (viii) – Digital]
 [Redemption (ix) – Digital with Knock-in]
 [Redemption (x) – Podium]
 [Redemption (xi) – Reverse Knock-in Standard]
 [Redemption (xii) – Reverse Knock-in]
 [Redemption (xiii) – Knock-in Standard]
 [Redemption (xiv) – Twin Win]
 [Redemption (xv) – Himalaya]
 [Redemption (xvi) – Memory]
 [Redemption (xvii) – Lock in]

33. Automatic Early Redemption:

[Applicable][Not Applicable]

(If applicable, specify one of the following)

[ST Automatic Early Redemption][Target Automatic Early Redemption] *(always insert 'Target Automatic Early Redemption Event' in relation to Accumulated Coupon)*

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

- (i) Automatic Early Redemption Event: AER Value is: [greater than][greater than or equal to][less than][less than or equal to] the Automatic Early Redemption [Level][Price]
- (ii) AER Value: *[Insert relevant value definition and where applicable relevant definitions from Payout Condition 5.1 and 5.2]*
- (iii) Automatic Early Redemption Payout: The Automatic Early Redemption Amount shall be determined in accordance with the following formula:

(Insert relevant formula from payout annex)
- (iv) Automatic Early Redemption Level/Price: [[specify] [%]][Not Applicable]
- (v) AER Percentage: [specify] % [Not Applicable]

(Insert where ST Automatic Early Redemption applies)
- (vi) Automatic Early Redemption Date(s)/Period(s): [specify] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6]
- (vii) AER Additional Rate: [AER Rate][Insert relevant provisions from Payout Condition 5.1][Not Applicable]

[AER Rate DCF][Insert relevant provisions from Conditions]

[AER Rate MT][Insert relevant provisions from Conditions]
- (viii) Automatic Early Redemption Valuation Date(s)/Period(s): [specify]

		[In the event that an Automatic Early Redemption Valuation Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
(ix)	Automatic Early Redemption Valuation Time:	[specify][Scheduled Closing Time][Any time [on the relevant Valuation Date][during the Observation Period].
(x)	Averaging:	Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [specify].] [See paragraph [] above]
		[In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]
		[Specified Maximum Days of Disruption will be equal to: [specify][five]
		(If no Specific Maximum Days of Disruption are stated, Specific Maximum Days of Disruption will be equal to five)
34.	Early Redemption Amount:	
	Early Redemption Amount (Tax) per Calculation Amount payable on redemption for taxation reasons and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[] per Calculation Amount (specify the amount)/Market Value less Associated Costs]
	Redemption Amount(s) per Calculation Amount payable on an event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[] per Calculation Amount/specify the amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs [including the cost, if any, for unwinding hedging arrangements]]
	Termination Amount(s) per Calculation Amount payable on an occurrence of an Extraordinary Fund Event and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[See paragraph 44(xxx)][Not Applicable]
	Early Redemption Amount per Calculation Amount payable following an early redemption:	[[] per Calculation Amount/Market Value less Associated Costs/specify amount or method of calculation][Not Applicable]
	Fair Market Value Interest Element:	[Applicable][Not Applicable] (Specify as required in respect of each relevant early redemption)
35.	Equity Linked Note redemption provisions:	[Applicable – please refer to the section headed "Provisions Applicable to Equity Linked Notes" for more information][Not Applicable][Delete as applicable]
36.	Inflation Linked Note redemption provisions:	[Applicable – please refer to the section headed "Provisions Applicable to Inflation Linked Notes" below for more information][Not Applicable][Delete as applicable]

37. **Fund Linked Note redemption provisions:** [Applicable – please refer to the section headed "*Provisions Applicable to Fund Linked Notes*" below for more information][Not Applicable][Delete as applicable]
38. **Credit Linked Notes redemption provisions:** [Applicable – please refer to section headed "*Additional Provisions relating to Credit Linked Notes*" below for more information][Not Applicable][Delete as applicable]
39. **Foreign Exchange (FX) Rate Linked Note redemption provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Foreign Exchange (FX) Rate Linked Notes*" below for more information][Not Applicable][Delete as applicable]
40. **Reference Item Rate Linked Note redemption provisions:** [Applicable – please refer to the section "*Provisions Applicable to Reference Item Rate Linked Notes*" below, for more information][Not Applicable][Delete as applicable]

PROVISIONS APPLICABLE TO EQUITY LINKED NOTES

(Annex 1 to Terms and Conditions)

(Delete entire section if Equity Linked Note provisions not applicable)

41. **Equity Linked Note Provisions:** [Applicable][Not Applicable][for the purposes of determining the "Rate of Interest" specified in item 18(vi)] (insert where "*Rate of Interest (ix) – Range Accrual*" applies under item 18(vi))
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- The provisions of Annex 1 of the Terms and Conditions (*Additional Terms and Conditions for Equity Linked Notes*) shall apply.
- (i) Type of Notes: [Single Share Linked Notes][Single Share Index Linked Notes][Share Basket Linked Notes][Share Index Basket Linked Notes][Delete as applicable]
- (ii) Share(s)/Share Basket/Single Share Index/Share Index Basket: [specify (i) names of each issuer of the Share(s), (ii) class of each Share, (iii) ISIN or other security identification code for each Share/Share Index for Single Share Index Linked Notes or each of the Share Indices for Share Index Basket Linked Notes (specifying where applicable if any such index is a Dividend Index)][Reference Item[s]][k]]
- (iii) Share Index Sponsor(s): [Insert name(s) of Share Index Sponsor(s)/Share Dividend Index Sponsor(s)][Not Applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
- (iv) Exchange(s): [specify]
- (v) Related Exchange(s): [specify][All Exchanges]

- (vi) Exchange Business Day Convention: [Following Business Day Convention]
[Modified Following Business Day Convention]
- (vii) Strike Date: [specify][Not Applicable]
- (viii) Strike Period [and Strike Days]: [Specify Strike Period][Not Applicable][Specify the applicable Strike Days in the Strike Period]
- (ix) Averaging: Averaging [applies][does not apply] to the Notes.
[The Averaging Dates are [specify] [See paragraph [] above]

[In the event that an Averaging Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
- (x) Coupon Valuation Date(s): [specify][Not Applicable]
- (xi) Coupon Valuation Time: [Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]] [specify], being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Interest Amount]

(If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)
- (xii) Redemption Valuation Date(s): [specify][Not Applicable]
- (xiii) Redemption Valuation Time: [Scheduled Closing Time][Any time [on the relevant Redemption Valuation Date][during the Observation Period]] [specify], being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount]
- (xiv) Observation Date(s): [specify][Not Applicable]

[In the event that an Observation Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
- (xv) Observation Period: [specify][Not Applicable]
- (xvi) [Valuation Date and] Specified Maximum Days of Disruption: [The definition of "**Valuation Date**" in Condition 21 will apply, for which purpose the] [Specified Maximum Days of Disruption will be equal to [specify][As per the Conditions][Not Applicable]
- (xvii) Exchange Rate: [specify]

ADDITIONAL PROVISIONS APPLICABLE TO EQUITY LINKED NOTES ONLY

[Delete all following paragraphs if Equity Linked Note provisions not applicable]

- (xviii) Calculation Agent: []
- (xix) Exchange Business Day Convention: [Following Business Day Convention][Modify Following Business Day Convention][Delete as applicable]
- (xx) Business Day Convention: [Floating Rate Convention/Following Business Day

Convention/Modified Following Business Day
Convention/Preceding Business Day Convention]

(xxi) Additional Business Centre(s): [Not Applicable][Specify Additional Business Centre(s)]

PROVISIONS APPLICABLE TO INFLATION LINKED NOTES

(Annex 2 to Terms and Conditions)

[Delete all following paragraphs if Inflation Linked Note provisions not applicable]

- 42. Inflation Linked Note Provisions:** [Applicable][Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- The provisions of Annex 2 of the Terms and Conditions (Additional Terms and Conditions for Inflation Linked Notes) shall apply
- (i) Calculation Agent: []
- (If more than one Inflation Interest Rate is to be determined, repeat items (i) to (vii) for each such Inflation Rate and, if Digital Coupon One Condition or Digital Coupon Two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*
- (ii) Inflation Index: [][Reference Item[s][(k)]]
- (Set out each Inflation Index level and insert "in respect of [specify date]" following each Inflation Index level)*
- (iii) Inflation Index Sponsor: []
- (iv) Related Bond: [Insert name and ISIN or other security identification code of Related Bond][Not Applicable][Fallback Bond][Delete as applicable]
- (v) Fallback Bond: [Applicable][Not Applicable]
- (vi) Alternative Delay of Publication Formula: [Insert formula][Not Applicable]
- (vii) Strike Date: [specify][Not Applicable]
- (viii) Strike Period [and Strike Days]: [Specify Strike Period][Not Applicable][Specify the applicable Strike Days in the Strike Period]
- (ix) Inflation Index Level Adjustment: (Annex 2, Section 1, Paragraph 6 of Terms and Conditions) [See details in Section 3 of Annex 2 to the Terms and Conditions][Option (i) as specified in paragraph 6 of Section 1 of Annex 2 to the Terms and Conditions][Option (ii) as specified in paragraph 6 of Section 1 of Annex 2 to the Terms and Conditions][Delete as applicable]
- (x) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day

Convention][Delete as applicable]

(xi) Additional Business Centre(s): [Not Applicable] [Insert name(s) of Additional Business Centre(s)]

ADDITIONAL PROVISIONS RELATING TO CREDIT LINKED NOTES

43. Credit Linked Conditions: [Applicable][Not Applicable]

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

The provisions of Annex 4 of the Terms and Conditions (Additional Terms and Conditions for Credit Linked Notes) shall apply

(i) Final Redemption Amount: [] per Calculation Amount

(ii) Settlement Method: [Auction Settlement/Cash Settlement/Physical Delivery]

(iii) Calculation Agent City: [London][Madrid][specify other]

(iv) Reference Entity: [Specify name]

(v) Reference Obligation[s]: [][Standard Reference Obligation]

(If Standard Reference Obligation is specified, insert and complete as applicable: Seniority Level: [Senior Level][Subordinated Level])

[The obligation[s] identified as follows:

Primary Obligor: []

Guarantor: []

Maturity: []

Coupon: []

CUSIP/ISIN: []

(N.B. repeat the above headings if there is more than one reference obligation)

(vi) All Guarantees: [Applicable][Not Applicable]

(vii) Credit Events: [Bankruptcy]

[Failure to Pay]

[Grace Period Extension: [Applicable][Not Applicable]

(If Applicable insert:

Grace Period: [30 calendar days][]]

[Obligation Default]

[Obligation Acceleration]

[Repudiation/Moratorium]

[Restructuring]

Provisions relating to Restructuring Credit
Event: Credit Linked Condition 13:
[Applicable][Not Applicable]

Provisions relating to Multiple Holder
Obligation: Credit Linked Condition 14:
[Applicable][Not Applicable]

Mod R: [Applicable/Not Applicable]

Mod Mod R: [Applicable/Not Applicable]

[Governmental Intervention]

[Specify other]

Default Requirement: []

Payment Requirement: []

(viii) Notice of Publicly Available Information: [Applicable][Not Applicable]

[If Applicable:

Public Source(s): []

Specified Number: []]

(ix) Obligation(s):

(a) Obligation Category: [Payment]

(select one only) [Borrowed Money]

[Reference Obligation Only]

[Bond]

[Loan]

[Bond or Loan]

(b) Obligation Characteristics: [Not Subordinated]

[Credit Linked Specified Currency:

(select all of which apply) [Standard Specified Currencies][specify
currency]]

[Not Sovereign Lender]

[Not Domestic Currency]

Domestic Currency means: [specify
currency]]

[Not Domestic Law]

[Listed]

- [Not Domestic Issuance]
- (c) Additional Obligation[s]: [] [See Credit Linked Condition 17] [Not Applicable]
- (N.B. Specify "Not Applicable" unless the provisions relating to LPN Reference Entities apply)*
- (d) Excluded Obligation[s]: []
- (x) Accrual of Interest upon Credit Event: [Applicable] [Not Applicable]
- (xi) Merger Event: Credit Linked Condition 11: [Applicable] [Not Applicable]
- [If Applicable insert:*
- Merger Event Redemption Amount: []
- Merger Event Redemption Date: [] [Five Business Days after the Calculation Agent determines that a Merger Event has occurred]]
- (xii) Unwind Costs: [Standard Unwind Costs] [specify other] [Not Applicable]
- (xiii) Provisions relating to Monoline Insurer as Reference Entity: Credit Linked Condition 15: [Applicable] [Not Applicable]
- (xiv) Provisions relating to LPN Reference Entities: Credit Linked Condition 17: [Applicable] [Not Applicable]
- (xv) **Further terms relating to settlement:**
- (a) Fallback Settlement Method: [Cash Settlement/Physical Delivery/Not Applicable]
- (N.B. This only applies where Auction Settlement is specified. Otherwise specify as "Not Applicable")*
- (b) Business Day Convention: [Following] [Modified Following] [Preceding]
- (c) Credit Event Redemption Amount: [[] per Calculation Amount] [Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) applies] [Not Applicable]
- (N.B. Specify as "Not Applicable" if the Settlement Method is specified to be Physical Delivery)*
- (d) Credit Event Redemption Date: [[] Business Days] [Not Applicable]
- (N.B. Specify as "Not Applicable" if the Settlement Method is specified to be Physical Delivery)*
- (e) Valuation Date: [Applicable] [Credit Linked Condition 12 (*Definitions applicable to Credit Linked Notes*) applies]
- [If "Applicable" and a Single Valuation Date applies, insert: Single Valuation Date:*

[] Business Days]

[If "Applicable" and Multiple Valuation Dates apply, insert: Multiple Valuation Dates:

[] Business Days and each [] Business Days thereafter

Number of Valuation Dates: []]

(N.B. If Cash Settlement is specified as the Settlement Method or the Fallback Settlement Method, specify "Applicable". If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method, specify that Credit Linked Condition 12 applies)

(f) Valuation Time: [] [As per the definition in the Credit Linked Conditions]

(g) Quotation Method: [Bid][Offer][Mid-market][See Credit Linked Condition 9]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method, specify "See Credit Linked Condition 9")

(h) Quotation Amount: [] [Representative Amount][See Credit Linked Condition 9]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method, specify "See Credit Linked Condition 9")

(i) Minimum Quotation Amount: [] [As per the definition in the Credit Linked Conditions][Not Applicable]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method, specify "Not Applicable")

(j) Quotation Dealers: [] [As selected by the Calculation Agent in accordance with the Credit Linked Conditions]

(k) Accrued Interest: [Include Accrued Interest][Exclude Accrued Interest][See Credit Linked Condition 12 (Definitions applicable to Credit Linked Notes)]

(l) Valuation Method: [Market/Highest]
[Average Market/Highest/Average Highest]
[See Credit Linked Condition 9]

(N.B. If Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method, specify "See Credit Linked Condition 9")

(m) Deliverable Obligations: *(N.B. Specifications relating to Deliverable Obligations are required even if the Notes are not subject to Physical Delivery)*

	Deliverable Category: (select one only)	Obligation	[Payment] [Borrowed Money] [Reference Obligation only] [Bond] [Loan] [Bond or Loan]
	Deliverable Characteristics: (select all of which apply)	Obligation	[Not Subordinated] [Credit Linked Specified Currency: [specify currency]][Standard Specified Currencies]] [Not Sovereign Lender] [Not Domestic Currency Domestic Currency means: [specify currency]] [Not Domestic Law] [Listed] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation Qualifying Participation Seller: [insert details]] [Transferable] [Maximum Maturity: []] [Accelerated or Matured] [Not Bearer] [Not Applicable]
	Sovereign No Asset Package Delivery:		[Applicable/Not Applicable]
(n)	Excluded Obligation[s]:	Deliverable	[]/[Not Applicable]
(o)	Indicative Quotations:		[Applicable]/[Not Applicable]
(N.B. This is only relevant to the partial cash settlement provisions for Notes for which Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method. For such Notes specify "Applicable" or "Not Applicable" (as required). For all other Notes specify "Not Applicable")			

- (p) Physical Settlement Period: [[] Business Days]/[Not Applicable]
(N.B. This will only apply to Notes for which Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method)
- (q) Settlement Currency: []/[Not Applicable]
- (r) Cut-Off Date: []/[Not Applicable]
(N.B. This is a date by which Asset Transfer Notices are required for timely settlement and will only apply to Notes for which Physical Delivery is specified as the Settlement Method or the Fallback Settlement Method)
- (s) Delivery provisions for the Asset Amount if different from Credit Linked Condition 21: [Insert details]/[Not Applicable]
- (xvi) **Other Terms:**
- (a) Subordinated European Insurance Terms: [Applicable/Not Applicable]
- (b) Financial Reference Entity Terms: [Applicable/Not Applicable]
- (c) Reference Obligation Only Termination Amount: [[]/Not Applicable]
(N.B. To be specified for the purposes of Credit Linked Condition 19 for Reference Obligation Only Notes only)
- (d) Other terms of special conditions: [Specify]
- (e) Additional Business Centre(s): [Not Applicable] [Name(s) of Additional Business Centre(s)]

PROVISIONS APPLICABLE TO FUND LINKED NOTES

- 44. Fund Linked Note Provisions:** [Applicable][Not Applicable][for the purposes of determining the "Rate of Interest" specified in item 18(vi)] (insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi))
(If not applicable, delete the remaining subparagraphs of this paragraph)
The provisions of Annex 3 of the Terms and Conditions (Additional Terms and Conditions for Fund Linked Notes) shall apply.
- (i) Fund/Fund Basket(s): [specify] [Reference Item[s]][(k)]
[The [specify] Fund is a Mutual Fund]
[The [specify] Fund is a Hedge Fund]
[The [specify] Fund is a Private Equity Fund]

		[The <i>[specify]</i> Fund is an Exchange Traded Fund]
(ii)	Listing of the Fund:	[]
(iii)	Authorisation of the Fund:	[]
(iv)	Fund Shares:	<i>[specify]</i>
		[Weighting: [Not Applicable][The weighting to be applied to each Fund Share comprising the Fund Basket is []]]
(v)	Exchange:	<i>[specify]</i> [Not Applicable] <i>(only applicable to ETFs)</i>
(vi)	Related Exchange:	<i>[specify]</i> [All Exchanges][Not Applicable] <i>(only applicable to ETFs)</i>
(vii)	Exchange Business Day:	[All Fund Share Basis][Per Fund Share Basis][Single Fund Share Basis][Not Applicable] <i>(only applicable to ETFs)</i>
(viii)	Scheduled Trading Day:	[All Fund Share Basis][Per Fund Share Basis][Single Fund Share Basis][Not Applicable] <i>(only applicable to ETFs)</i>
(ix)	Strike Date:	<i>[specify]</i> [Not Applicable] <i>(only applicable to ETFs)</i>
(x)	Strike Period [and Strike Days]:	<i>[specify strike period]</i> [Not Applicable] <i>[specify Strike Days in the Period]</i>
(xi)	Averaging:	Averaging [applies][does not apply] to the Notes [The Averaging Dates are <i>[specify]</i>] [see paragraph [] above] [In the event that an Averaging Date is a Disrupted Day Omission[Postponement][Modified Postponement] will apply] [[Specified Maximum Days of Disruption will be equal to: <i>[specify]</i>][five]] <i>(If not Specific Maximum Days of Disruption are stated, Specific Maximum Days of Disruption will be equal to five)</i>
(xii)	Observation Date:	<i>[specify]</i> [Not Applicable] In the event that an Observation Date is a Disrupted Date [Omission][Postponement][Modified Postponement] will apply
(xiii)	Observation Period:	<i>[specify]</i> [Not Applicable]
(xiv)	Coupon Valuation Date(s):	<i>[specify]</i> [Not Applicable]

(xv)	Redemption Valuation Date:	[specify][Not Applicable]
(xvi)	Valuation Time (only applicable to ETFs):	[Scheduled Closing Time][Any time [on the relevant [Coupon Valuation Date][Redemption Valuation Date]][during the Observation Period]] [specify], being the time specified on the relevant [Coupon Valuation Date][Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Fund Linked Interest Amount] [Redemption Amount] (If no time is specified, the Valuation Time will be the close of trading on the Exchange)
(xvii)	Fund Service Provider:	[specify][As set out in Fund Linked Conditions]
(xviii)	Trade Date:	[]
(xix)	Fund Documents:	[specify][As per Fund Linked Conditions]
(xx)	Fund Business Day:	[(All Fund Share Basis)][(Per Fund Share Basis)][(Single Fund Share Basis)]
(xxi)	Initial Calculation Date:	[specify][As set out in Fund Linked Conditions][Not Applicable]
(xxii)	Final Calculation Date:	[specify] [Not Applicable]
(xxiii)	Hedging Date:	[] [Not Applicable]
(xxiv)	Calculation Date(s):	[specify][As set out in per the Fund Linked Conditions] [Not Applicable]
(xxv)	AUM Level:	[specify][Not Applicable]
(xxvi)	NAV Trigger Percentage:	[[]%][As per Fund Linked Conditions] [Not Applicable]
(xxvii)	NAV Trigger Period:	[specify][As per Fund Linked Conditions] [Not Applicable]
(xxviii)	Number of NAV Publication Days:	[specify][As per Fund Linked Conditions] [Not Applicable]
(xxix)	Basket Trigger Level:	[specify][[As per Fund Linked Conditions][Not Applicable]
(xxx)	Termination Amount:	[Principal Protected Termination Amount][Non-Principal Protected Termination Amount][Not applicable][specify]
(xxxi)	Termination Date:	[specify][Not Applicable]
(xxxii)	Fee:	[] [Not Applicable]
(xxxiii)	Protected Amount:	[specify][Not applicable]
(xxxiv)	Simple Interest Spread:	[As per Fund Linked Conditions][specify]
(xxxv)	Specified Maximum Days of Disruption:	[specify][five]

(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five. Only applicable to ETFs)

- (xxxvi) Extraordinary Fund Event (in the case of a Private Equity Fund only): []
- (xxxvii) Delayed Redemption on the Occurrence of an Extraordinary Fund Event: [Applicable][Not Applicable]
- (xxxviii) Additional Extraordinary Fund Event: [Not Applicable][]
- (xxxix) Calculation Agent: []
- (xl) Additional Business Centre(s): [Not Applicable] *[Name(s) of Additional Business Centre(s)]*

PROVISIONS APPLICABLE TO FOREIGN EXCHANGE (FX) RATE LINKED NOTES

- 45. Foreign Exchange (FX) Rate Linked Provisions:** [Applicable][Not Applicable][for the purposes of determining the "Rate of Interest" specified in item 18(vi)] *(insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi))*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Base Currency: [specify][Not Applicable][For Reference Item[(k)]: *[insert]*]
- (ii) Subject Currency/Currencies: [specify][Not Applicable][For Reference Item[(k)]: *[insert]*] [and EM Foreign Exchange Rate Provisions apply to such Subject Currency]
- (iii) Additional Disruption Event: *(Specify each of the following which applies)* [Change in Law] [Hedging Disruption] [Increased Cost of Hedging]
- [Trade Date means *[specify]*]
- (iv) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are *[specify]*] [see paragraph [] above]
- (v) Observation Date(s): [specify][Not Applicable]
- (vi) Observation Period: [specify][Not Applicable]
- (vii) Strike Date: [specify][Not Applicable]
- (viii) Strike Period [and Strike Days]: *[Specify Strike Period]*[Not Applicable]*[Specify the applicable Strike Days in the Strike Period]*
- (ix) Coupon Valuation Date: [specify][Not Applicable]
- (x) Redemption Valuation Date: [specify][Not Applicable]
- (xi) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions do not apply to a Settlement Currency: [Applicable [in respect of *[specify Subject Currencies to which these provisions apply where there is a Basket]*]] [Not Applicable]

(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)

- (a) Delayed Redemption on the Occurrence of a Disruption Event: [Applicable][Not Applicable]
- (b) Relevant Screen Page: [specify][Not Applicable]
- (c) Specified Maximum Days of Disruption: [Specified Maximum Days of Disruption will be equal to: [specify][five]][Not Applicable]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)
- (d) Price Source: [specify]
- (e) Valuation Time: [specify][As per Foreign Exchange (FX) Rate Linked Note Condition 6]
- (xii) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions apply: [Applicable [in respect of [specify Subject Currencies to which these provisions apply where there is a Basket]]][Not Applicable]
- (Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)
- (a) Provisions applicable to determining the Settlement Price: For the purpose of the definition of Settlement Price in Foreign Exchange (FX) Rate Linked Note Condition 6 [and [specify the relevant Subject Currency where more than one Subject Currency]:
- EM FX Price Source: [specify]
- EM Valuation Time: [specify]
- EM Scheduled Trading Day Jurisdiction: [specify]
- (b) EM Disruption Events: [Price Source Disruption]
- [Illiquidity Disruption]
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Material Change in Circumstance]
- [Nationalisation]
- [Price Materiality, where:
- EM Price Materiality Percentage: [specify][3]%
- EM Primary Rate: [specify][The rate determined as set out in the definition of

Settlement Price]

EM Secondary Rate: [specify][[EM First Fallback Reference Price [and]][EM Second Fallback Reference Price]]

(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Events (or components thereof) also apply thereto)

(c) EM Disruption Fallbacks: [EM Calculation Agent Determination]

[EM First Fallback Reference Price, where:

First Fallback EM FX Price Source:
[specify]

First Fallback EM Valuation Time: [specify]

First Fallback EM Number of Settlement Days: [specify]]

[EM Second Fallback Reference Price, where:

Second Fallback EM FX Price Source:
[specify]

Second Fallback EM Valuation Time:
[specify]

Second Fallback EM Number of Settlement Days: [specify]]

[EM Valuation Postponement]

(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)

(d) EM Maximum Days of Postponement: [specify]

(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)

(e) EM Cumulative Events: [Not Applicable][Applicable and EM Maximum Cumulative Days of Postponement means [specify]]

(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)

(f) EM Number of Settlement Days: [Two][Zero][specify other] [where Settlement Day Centre(s) means [specify]]

- (g) EM Number of [[Two][specify]] [Business Days][EM Settlement Days] [specify]
Postponement Settlement Days:
- (h) Additional Business [Not Applicable] [Name(s) of Additional Business Centre(s)]
Centre(s):

PROVISIONS APPLICABLE TO REFERENCE ITEM RATE LINKED NOTES

- 46. Reference Item Rate Linked Note** [Applicable][Not Applicable] [for the purposes of determining the "Rate of Interest" specified in item 18(vi)] (*insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi)*),
- [The [Floating][Fixed] Rate Note Provisions shall apply for the purposes of determining the Reference Item Rate on the basis of elections in this paragraph
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (If more than one Reference Item Rate is to be determined, include the following language: "Reference Item Rate [specify] is as follows:" and repeat items (i) to (vi) below for each such Reference Item Rate)*
- (i) Screen Rate Determination: [Applicable][Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Reference Item Rate: [specify]
- (b) Interest Determination Date(s): [specify]
- (e.g: Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR. Where the Rate of Interest is being used other than for a Floating Rate Note, ensure that this is not specified in respect of an Interest Period and the relevant Range Accrual Day may be specified where relevant for Range Accrual Notes.)*
- (c) Relevant Time: [specify]
- for example 11:00 am, London time/Brussels time*
- (d) Relevant Screen Page: [specify]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (ii) Relevant Financial Centre: [specify][For example, London/Euro-zone (where Euro-zone means the region comprising the countries

		<i>whose lawful currency is the euro)]</i>
(iii)	ISDA Determination:	[Applicable][Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(a) Floating Rate Option:	<i>[specify]</i>
	(b) Designated Maturity:	<i>[specify]</i>
	(c) Reset Date:	<i>[specify]</i>
(iv)	[Reference Spread:	[Reference Item Rate [1][2] minus Reference Item Rate [1][2]][Not Applicable] [See paragraph []][above][below] <i>(If a Reference Spread applies for each Interest Period, the Reference Spread shall be specified separately for each Interest Period.)]</i>
(v)	Coupon Valuation Date(s):	<i>[specify]</i> [Not applicable]
(vi)	Rate Cut-Off Date:	<i>[specify]</i> [See paragraph <i>[specify]</i>][above][below][Not applicable]
(vii)	Business Day:	As used in this item and for the purpose of determining the Reference Item Rate only, " Business Day " means [a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in <i>[specify]</i> [A Target Settlement Day]][a "U.S. Government Securities Business Day", being any day except for a Saturday, Sunday or day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for the purposes of trading in U.S. government securities.] [Not Applicable]
47.	Provisions applicable to Physical Delivery:	[Applicable][in accordance with Credit Linked Conditions and paragraph 42 above][Not Applicable] <i>(If not applicable or the Notes are Credit Linked Notes, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Entitlement Amount:	<i>(Insert formula, relevant value(s) and other related definitions from Payout Condition 4)</i>
	(ii) Relevant Asset(s):	<i>[specify]</i>
	(iii) Cut-off Date:	<i>[specify]</i> [As specified in Condition 7]
	(iv) Settlement Business Day(s):	<i>[specify]</i>
	(v) Delivery Agent:	<i>[specify]</i> of <i>[specify address]</i>

- (vi) Assessed Value Payment Amount: [Applicable][Not Applicable]
- (vii) Failure to Deliver due to Illiquidity: [Applicable][Not Applicable]
- 48. Variation of Settlement:** The Issuer [has][does not have] the option to vary settlement in respect of the Notes as set out in Condition 7(i)(ii).

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 49. Form of Notes:** Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes on [] days' notice.] [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.] *[Delete as applicable]*⁵
- [Registered Notes: [Restricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC]] [Unrestricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]] *[Delete as applicable]*.
- 50. Additional Business Centres for Condition 7(h) or other special provisions relating to Payment Dates:** [Not Applicable][*Insert Business Day Jurisdictions. (Note that this item relates to the date and place of payment, and not interest period end dates)*]
- 51. New Global Note Form:** [Yes] [No]
- 52. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes/No. *If yes, insert dates*]
- 53. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:** [Not Applicable] []
- 54. Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"):** [Not Applicable] []
- 55. Consolidation provisions:** [Not Applicable][The provisions [in Condition 13

⁵ The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 6 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]".

(Further Issues)] apply]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement. [(Relevant third party information) has been extracted from (specify source). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: _____

By: _____

Duly authorised

Duly authorised

By: _____

By: _____

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing [Insert Listing/None]
- (ii) Admission to trading [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to listing on [specify market – note this must not be a regulated market] with effect from [].] [Not Applicable.] [Delete as applicable]
- (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

2. RATINGS

- Ratings: The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)] [The Notes are not rated] [Delete as applicable]
- (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

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

"Save as discussed in ["Plan of Distribution"] and "General Information", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

4. OPERATIONAL INFORMATION

- ISIN: []
- Common Code: []
- CUSIP Code: []
- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A, and the relevant identification number(s): [Not Applicable]
- Delivery: Delivery [against/free of] payment
- Names and addresses of initial Paying Agent(s) (if any): []
- Names and addresses of additional Paying Agent(s) (if any): []
- Intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable]

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of

a nominee of one of the ICSDs acting as common safekeeper,] *[include this text for registered notes held under the NSS]* and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[include this text if "yes" selected in which case the bearer Global Notes must be issued in NGN form/the registered Global Note Certificates must be held under the NSS]*

[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] *[include this text for Registered Note]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

5. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/ <i>give names</i>]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/ <i>give names</i>]
(iv)	If non-syndicated, name of Dealer:	[]
(v)	US Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; [TEFRA C/TEFRA D/TEFRA not applicable]]
(vi)	Additional Selling restrictions:	[Not Applicable/ <i>give details</i>]

[The Notes have not been, and shall not be, offered or sold or re-sold, directly or indirectly, to investors other than to "professional institutional investors" as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a Professional Institutional Investor.]

6. U.S. TAX CONSIDERATIONS

[The Notes are [not] Specified Notes for purposes of Section 871(m).] [The Notes will not be Specified Notes if they (i) are issued prior to January 1, 2017 or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes are issued after January 1, 2016 and reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities, further analysis

would be required.

7. [ROC TAXATION]

[The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature based on the Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Notes will be issued, offered, sold and re-sold to professional institutional investors as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes.]

8. [ROC TRADING]

[An investor with a securities book-entry account with a ROC securities broker and a foreign currency deposit account with a ROC bank may request the approval of the Taiwan Depository & Clearing Corporation ("TDCC") to the settlement of the Notes through the account of TDCC with Euroclear or Clearstream and if such approval is granted by the TDCC, the Notes may be so cleared and settled. In such circumstances, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second ROC business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one ROC business day after the distribution date). However, when the holders will actually receive such distributions may vary depending upon the daily operations of the ROC banks with which the holder has the foreign currency deposit account.]

FORM OF NOTES

General

Unless otherwise specified in the Applicable Transaction Terms, the Notes shall be represented initially by one or more global Notes (collectively, the "**Global Notes**"). Registered Notes shall be represented initially by one or more Global Notes in registered form, without Coupons (each, a "**Global Note Certificate**"), which, in the case of U.S. Global Notes (as defined below), shall be registered in the name of DTC, as depositary, or a successor or nominee thereof, and which shall be deposited on behalf of the purchasers thereof with a custodian for DTC. Beneficial interests in the Restricted Global Note Certificates and Unrestricted Global Note Certificates as such terms are defined below shall be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Purchasers of Notes may elect to hold interests in Restricted Global Note Certificates or, as the case may be, Unrestricted Global Note Certificates through any of DTC (in the United States), Clearstream, Luxembourg or Euroclear if they are participants in such systems or indirectly through organisations which are participants in such systems.

If so specified in the Applicable Transaction, Registered Notes may be represented, in whole or in part, by a Global Note Certificate that is deposited with or on behalf of a common depositary or, in the case of a Global Note Certificate to be held under the New Safekeeping Structure (as defined below), a common safekeeper, for Euroclear and Clearstream, Luxembourg, or a nominee thereof for credit to the respective accounts of beneficial owners of the Notes represented thereby (an "**International Global Note Certificate**"). Beneficial interests in the Restricted International Global Note Certificates and Unrestricted International Global Note Certificates as such terms are defined below shall be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and/or Clearstream, Luxembourg. Purchasers of Notes may elect to hold interests in Restricted International Global Note Certificates or, as the case may be, Unrestricted International Global Note Certificates through any of Euroclear or Clearstream, Luxembourg if they are participants in such systems or indirectly through organisations which are participants in such systems. International Global Note Certificates will be subject to the restrictions and procedures referred to under "*International Global Note Certificates*" below.

Bearer Notes shall be represented initially by a temporary Global Note in bearer form, without Coupons (a "**Temporary Global Note**"), which shall be deposited with (a) in the case of a global note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Applicable Transaction Terms, with or on behalf of a common depositary located outside the United States for Euroclear and Clearstream, Luxembourg; or (b) in the case of a global note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Applicable Transaction Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Beneficial interests in such Temporary Global Note shall be exchangeable for beneficial interests in a Permanent Global Note, in an equal aggregate principal amount, not earlier than the 40th day after the applicable closing date upon certification of non-U.S. ownership, as set forth in the Programme Manual. Such exchange will be made upon certification to the effect that the holder is (i) a person that is not a United States person, (ii) a United States person that is (A) a foreign branch of a United States financial institution (as defined in United States Treasury Regulations Section 1.165-12(c)(1)(iv)) subscribing for or purchasing for its own account or for resale or (B) a United States person who acquired Notes through a foreign branch of a United States financial institution and who holds the Notes through such financial institution on the date of such certification (and in each case (A) or (B), that the financial institution agrees to comply with the requirements of section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986 and the United States Treasury Regulations promulgated thereunder) or (iii) a financial institution that acquired Notes for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7) (or any successor United States Treasury Regulations Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010)), and such financial institution certifies that it has not acquired the Notes for purposes of resale directly or indirectly within the United States or its possessions or to a United States person. A financial institution, whether or not described in (i) or (ii) above, that purchases Notes for purposes of resale during the restricted period, may only give the certification described in (iii) above. Except in the limited circumstances described below or as otherwise set forth in the Applicable Transaction Terms, owners of beneficial interests in the Global Notes shall not be entitled to receive Notes in definitive form. For details of how Notes may be transferred see "*Terms and Conditions of the Notes—Condition 2 (Form, Denomination and Title)*".

In the United States securities market, the presumption is that settlement of all trades of Notes will occur on the basis of the trade date plus three days.

Registered Notes may be evidenced by one or more Global Note Certificates in an aggregate principal amount equal to the principal amount of the Notes of such Series, which shall be exchangeable in the limited circumstances described below for individual Notes, each evidenced by an individual note certificate (collectively, the "**Individual Note Certificates**").

Bearer Notes will initially be issued in the form of a Temporary Global Note, without Coupons, in an initial aggregate principal amount equal to the principal amount of the Notes of such Series not initially sold to U.S. persons, which shall be exchangeable as described below.

Where the Global Notes issued in respect of any Tranche are in New Global Note form ("**NGN**") or the Global Note Certificates are held under the New Safekeeping Structure ("**NSS**"), as the case may be, the Applicable Transaction Terms will also indicate whether or not such Global Notes or Global Note Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes or the Global Note Certificates are so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for NGNs and Global Note Certificates which are held under NSS will either be Euroclear or Clearstream, Luxembourg or another entity approval by Euroclear or Clearstream, Luxembourg.

Registered Global Note Certificates

General

Unless otherwise specified in the applicable Applicable Transaction Terms, Registered Notes of the same Series will be represented, in whole or in part, by either (i) a Restricted U.S. Global Note Certificate and/or an Unrestricted U.S. Global Note Certificate that is registered in the name of a nominee for DTC and deposited on or about the relevant issue date with the custodian for DTC, for credit to the respective accounts of beneficial owners of the Notes represented thereby (a "**U.S. Global Note**") or (ii) a Restricted International Global Note Certificate and/or an Unrestricted International Global Note Certificate that is either (a) registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depository (in the case of a Certificate that is not to be held under the New Safekeeping Structure), or (b) registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common safekeeper (in the case of a Certificate that is to be held under the New Safekeeping Structure), in each case for credit to the respective accounts of beneficial owners of the Notes represented thereby (an "**International Registered Global Note**").

U.S. Global Notes and International Registered Global Notes will be sold in reliance on specific registration exemptions of the Securities Act. U.S. Global Notes will be subject to special restrictions and procedures referred to under "*U.S. Global Notes*" below, and International Registered Global Notes will be subject to special restrictions and procedures referred to under "*International Registered Global Notes*" below.

U.S. Global Notes

Notes that are sold in reliance on Rule 144A will be represented by a restricted Global Note Certificate (a "**Restricted U.S. Global Note Certificate**"), unless otherwise specified in the Applicable Transaction Terms. A Restricted U.S. Global Note Certificate in the form provided in the Programme Manual (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and will bear the legend regarding such restrictions described under "*Transfer Restrictions*". Notwithstanding Condition 14 (*Notices*), so long as the Restricted U.S. Global Note Certificate is held on behalf of DTC, notices to Noteholders represented by the Restricted U.S. Global Note Certificate may be given by delivery of the relevant notice to DTC.

Registered Notes that are sold outside the United States in reliance on Regulation S will be represented by an Unrestricted U.S. Global Note Certificate (an "**Unrestricted U.S. Global Note Certificate**"), unless otherwise specified in the Applicable Transaction Terms. On or prior to the 40th day after the later of the commencement of the offering and the date of delivery of the Notes represented by an Unrestricted U.S. Global Note Certificate, a beneficial interest therein may be transferred to a person who takes delivery in the form of an interest in a Restricted U.S. Global Note Certificate of the same Series, but only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Programme Manual) to the effect that such transfer is being made to a person who the transferor reasonably believes is purchasing for its own account or accounts

as to which it exercises sole investment discretion and that such person and each such account is a QIB within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirement will no longer apply to such transfers.

Beneficial interests in a Restricted U.S. Global Note Certificate may be transferred to a person who takes delivery in the form(s) of an interest in an Unrestricted U.S. Global Note Certificate of the same Series, whether before, on or after such 40th day, but only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Programme Manual) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 and that, if such transfer occurs on or prior to such 40th day, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg. Any beneficial interest in a U.S. Global Note that is transferred to a person who takes delivery in the form of an interest in another U.S. Global Note of the same Series will, upon transfer, cease to be an interest in the former U.S. Global Note, will become an interest in the latter U.S. Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the latter U.S. Global Note for as long as it remains such an interest.

Notwithstanding Condition 14 (*Notices*), so long as the Unrestricted U.S. Global Note Certificate is held on behalf of DTC, notices to Noteholders represented by the Unrestricted U.S. Global Note Certificate may be given by delivery of the relevant notice to DTC.

Book-Entry System

Upon the issuance of a U.S. Global Note, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such U.S. Global Note to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in a U.S. Global Note will be limited to persons who have accounts with DTC (including Euroclear and Clearstream, Luxembourg), or persons who hold interests through participants. Ownership of beneficial interests in the U.S. Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants), which may include Euroclear and Clearstream, Luxembourg, as described below.

So long as DTC, or its nominee, is the registered holder of a U.S. Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such U.S. Global Note for all purposes under the Agency Agreement and the Notes. Unless DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Note, or ceases to be a "Clearing Agency" registered under the Exchange Act, or an Event of Default has occurred and is continuing with respect to such Note, owners of beneficial interests in such U.S. Global Note will not be entitled to have any portions of such U.S. Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders of such U.S. Global Note (or any Notes represented thereby) under the Agency Agreement or the Notes. If DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by the Issuer within 90 days, the Issuer will (i) issue Restricted Individual Note Certificates in exchange for the relevant Restricted U.S. Global Note Certificate and/or (ii) issue an International Global Note Certificate in exchange for the relevant Unrestricted U.S. Global Note Certificates. In the case of Restricted Individual Note Certificates issued in exchange for Restricted U.S. Global Note Certificates, such Restricted Individual Note Certificates will bear, and be subject to, the legend described under "Transfer Restrictions". Except in the limited circumstances described in this paragraph, owners of beneficial interests in a U.S. Global Note will not be entitled to receive physical delivery of Individual Note Certificates. In addition, no beneficial owner of an interest in a U.S. Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Agency Agreement and, if applicable, those of Euroclear and Clearstream, Luxembourg).

Investors may hold their interests in an Unrestricted U.S. Global Note Certificate through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organisations which are participants in such systems. Beginning 40 days after the later of the commencement of the offering and the date of delivery of the Notes represented by such Unrestricted U.S. Global Note Certificate (but not earlier), investors may also hold such interests through organisations other than Euroclear and Clearstream, Luxembourg that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold interests in an Unrestricted U.S. Global Note Certificate on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which in turn will hold such interests in customers' securities accounts in the depositories' names on the books of DTC.

Investors may hold their interests in a Restricted U.S. Global Note Certificate directly through DTC, if they are participants in such system, or indirectly through organisations which are participants in such system.

Payments of the principal of and any premium, interest, and other amounts on any U.S. Global Note will be made to DTC or its nominee, as the registered owner thereof. Neither the Issuer, the Guarantor, the Registrar, the Transfer Agent nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a U.S. Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment in respect of a U.S. Global Note held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such U.S. Global Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in a U.S. Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC's procedures and will be settled in same-day funds. The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a U.S. Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a U.S. Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in any U.S. Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a U.S. Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, Luxembourg, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a U.S. Global Note settled during such processing day will be reported to the relevant Euroclear or Clearstream, Luxembourg participant on such day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a U.S. Global Note by or through a Euroclear or Clearstream, Luxembourg participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of a U.S. Global Note (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in such U.S. Global Note are credited and only in respect of such portion of the aggregate principal amount of such U.S. Global Note as to which such participant or participants has or have given such direction. However, if there is an Event of Default under a U.S. Global Note, DTC will exchange such U.S. Global Note for legended Notes in definitive form, which it will distribute to its participants.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the

Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organisations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the U.S. Global Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Guarantor will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

International Registered Global Notes

If so specified in the Applicable Transaction Terms, Registered Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("**Rule 144A Registered Notes**") will initially be represented, in whole or in part, by a global note in registered form without interest coupons attached (the "**Restricted International Global Note Certificate**"). If so specified in the Applicable Transaction Terms, Registered Notes sold to non-U.S. persons outside the United States in reliance on Regulation S ("**Regulation S Registered Notes**") will be represented, in whole or in part, by a global note in registered form without interest coupons attached (an "**Unrestricted International Global Note Certificate**", and together with the Restricted International Global Note Certificate, an "**International Global Note Certificate**"). International Registered Global Note Certificates will be either (i) registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depositary (in the case of a Certificate that is not to be held under the New Safekeeping Structure), or (ii) registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common safekeeper (in the case of a Certificate that is to be held under the New Safekeeping Structure), in each case for credit to the respective accounts of beneficial owners of the Notes represented thereby.

Investors may hold their interests in an International Registered Global Note through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organisations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold interests in an International Registered Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries or safekeepers, as applicable.

So long as the common depositary, or, in the case of a Certificate to be held under the New Safekeeping Structure, the common safekeeper, or the relevant nominee, is the registered holder of an International Registered Global Note, the common depositary, common safekeeper or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by the relevant International Global Note Certificate for all purposes under the Agency Agreement and such Notes. Holders of beneficial interests in an International Registered Global Note will not be entitled to have any portion of such International Registered Global Note registered in their names, will not receive or be entitled to receive delivery of Individual Note Certificates in exchange for their interests in an International Global Note Certificate and will not be considered the owners or holders of such International Global Note Certificate (or any Notes represented thereby) under the Agency Agreement or the Notes. In addition, no beneficial owner of an interest in an International Registered Global Note will be able to transfer that interest except in accordance with applicable procedures of Euroclear and Clearstream, Luxembourg (in addition to those under the Agency Agreement referred to herein).

Payments of the principal of and any premium, interest and other amounts on any International Registered Global Note will be made to the common depositary, common safekeeper or its nominee as the registered owner thereof. Neither the Issuer, the Guarantor, the Registrar, the Transfer Agent nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in an International Registered Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Notwithstanding Condition 14 (*Notices*), so long as an International Registered Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, notices to Noteholders

represented by the International Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such other clearing system.

The Issuer expects that each of Euroclear and Clearstream, Luxembourg, upon receipt of any such payment in respect of an International Global Note represented by a Certificate held by a common depository, common safekeeper or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the International Registered Global Note evidenced by such Certificate as shown on the records of Euroclear or Clearstream, Luxembourg, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in an International Registered Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and will be settled in immediately available funds.

International Registered Global Note Certificates will bear a legend to the effect set forth in "Transfer Restrictions". Book-entry interests in International Registered Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Transfer Restrictions".

Transfer of ownership interests in a Rule 144A Registered Note ("**Restricted Book-Entry Interests**") to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to such transfer restrictions.

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any ownership interests in a Regulation S Registered Note ("**Unrestricted Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Programme Manual) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the U.S. Securities Act. Prior to 40 days after the date of initial issuance of the notes, ownership of Unrestricted Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A.

Unrestricted Book-Entry Interests may be transferred to a person who takes delivery in the form of Restricted Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Programme Manual) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with any applicable securities laws of any other jurisdiction.

Any book-entry interest in a Registered Note that is transferred to a person who takes delivery in the form of a book-entry interest in the other Registered Note will, upon transfer, cease to be a book-entry interest in the first mentioned Registered Note and become a book-entry interest in such other Registered Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Registered Note for as long as it remains such a book-entry interest.

Bearer Notes

Bearer Notes shall initially be issued in the form of a Temporary Global Note, without Coupons, in an initial aggregate principal amount equal to the principal amount of the Notes of such Series not initially sold to U.S. persons, which shall be exchangeable, unless otherwise specified in the Applicable Transaction Terms, (i) for a Permanent Global Note, without Coupons attached (together with Temporary Global Notes, "**Global Bearer Notes**"), which shall in turn be exchangeable (in whole, but not in part) in limited circumstances in the form of Definitive Notes, with or without Coupons attached, or for interests in a Global Note Certificate of such Series, (ii) in whole but not in part, directly for Definitive Notes, with or without Coupons attached, which shall in turn be exchangeable at the option of the Noteholder for interests in a Global Note Certificate of such Series or (iii) directly for interests in a Global Note Certificate. Purchasers in the United States (including its territories, its possessions and other areas subject to its jurisdiction) will not be able to receive Bearer Notes.

The Principal Paying Agent shall deliver each Temporary Global Note executed and authenticated: (1) in the case of a Classic Global Note, to the common depository; or (2) in the case of an NGN, to the common safekeeper in each case for the benefit of Euroclear and Clearstream, Luxembourg for credit against payment in

immediately available funds on the date of settlement to the respective accounts of the holders of the Notes of the Series represented by such Temporary Global Note.

The bearer of a Global Bearer Note will be considered the sole owner and holder of the Notes represented by such Global Bearer Note for all purposes under the Agency Agreement and such Notes. Owners of beneficial interests in a Global Bearer Note will not be considered the owners or holders of such Global Bearer Note (or any Notes represented thereby) under the Agency Agreement or the Notes. In addition, no beneficial owner of an interest in a Global Bearer Note will be able to transfer that interest except in accordance with applicable procedures of Euroclear and Clearstream, Luxembourg (in addition to those under the Agency Agreement referred to herein).

Payments of the principal of and any premium, interest and other amounts on any Global Bearer Note will be made to the bearer thereof. Neither the Issuer, the Guarantor nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Bearer Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that each of Euroclear and Clearstream, Luxembourg, upon receipt of any such payment in respect of a Global Bearer Note held by a common depositary or its nominee or by a common safekeeper, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Bearer Note as shown on the records of Euroclear or Clearstream, Luxembourg, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in a Global Bearer Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

On or after the date (the "**Exchange Date**") which is the earlier of (i) the first Business Day following the expiration of a period of 40 days after the date on which the Notes of such Series were issued and (ii) the first day on which interest, if any, is paid on the Notes of such Series, beneficial interests in the Temporary Global Note of a Series as to which the Principal Paying Agent has received certification as to the non-U.S. beneficial ownership thereof as required by United States Treasury Regulations and as set forth in the Programme Manual will, upon presentation thereof to or to the order of the Principal Paying Agent, be exchanged (i) for interests in a Permanent Global Note of such Series, (ii) directly for interests in a Global Note Certificate of such Series, or (iii) in whole but not in part, directly for one or more Definitive Notes of the same Series, in each case pursuant to the procedures set forth in the next sentence, with respect to that portion of such Temporary Global Note; provided, however, that, if Definitive Notes and (if applicable) Coupons have already been issued in exchange for a portion of such Temporary Global Note or for all of the Notes represented for the time being by such Permanent Global Note because Euroclear and/or Clearstream, Luxembourg do not regard the Permanent Global Note to be fungible with such Definitive Notes, then such Temporary Global Note may only thereafter be exchanged for Definitive Notes and (if applicable) Coupons pursuant to the terms of the Agency Agreement and of such Notes. At any time after the Exchange Date, upon 40 days' notice (which may be given at any time prior to, on or after the Exchange Date) to the Principal Paying Agent by Euroclear or Clearstream, Luxembourg, as the case may be, acting at the request of or on behalf of the beneficial owner or owners of a Global Bearer Note, and, in the case of a Temporary Global Note, upon receipt of the certifications required by United States Treasury Regulations referred to above, and, unless otherwise agreed, upon payment by the Holder of reasonable costs, interests in the Temporary Global Note or Permanent Global Note of a Series may be exchanged, in whole but not in part, for Definitive Notes of such Series with Coupons, if applicable, attached; provided, however, that, if Definitive Notes and (if applicable) Coupons have already been issued in exchange for a portion of such Temporary Global Note or for all of the Notes represented for the time being by such Permanent Global Note because Euroclear and/or Clearstream, Luxembourg do not regard the Permanent Global Note to be fungible with such Definitive Notes, then such Temporary Global Note may only thereafter be exchanged for Definitive Notes and (if applicable) Coupons pursuant to the terms of the Agency Agreement and of such Notes. Any Definitive Note delivered in exchange for a beneficial interest in a Temporary Global Note or Permanent Global Note shall bear substantially the same legends as are set forth on the face of the Temporary or Permanent Global Note for which it was exchanged. No Bearer Note may be delivered nor may any interest be paid on any Bearer Note until the person entitled to receive such Bearer Note or such interest furnishes the certifications required by United States Treasury Regulations referred to above.

Upon the conditions set out in the Agency Agreement, Permanent Global Notes and Definitive Notes may be exchanged for the same aggregate principal amount of Individual Note Certificates of the same Series in

authorised denominations, or, if so indicated in the Applicable Transaction Terms, for beneficial interests in a Global Note Certificate, at the request in writing of the Holder and, in the case of an exchange of Definitive Notes, upon surrender of such Definitive Notes to be exchanged (together with all unmatured Coupons, if any, relating to it) to the specified office of the Registrar, its duly authorised agent or any other Transfer Agent. Where, however, a Definitive Note is surrendered for exchange after the Clearing System Business Day before the due date for any payment of interest, or such other record Date as may be applicable, the Coupon in respect of that payment of interest need not be surrendered with it. No holder of any Note may require a Permanent Global Note or Definitive Note to be exchanged for a Registered Note during the period of 30 days ending on the due date for any payment of principal on that Note. Notes issued pursuant to the exchanges described above will be available from the specified office of the Registrar, its duly authorised agent or any other Transfer Agent (including the Transfer Agent located in Luxembourg).

Subject as provided below, until exchanged in full, Global Bearer Notes of a Series shall in all respects be entitled to the same benefits under the Agency Agreement as Definitive Notes of such Series authenticated and delivered thereunder, except that principal of and any premium, interest, additional amounts and other amounts on a Temporary Global Note will not be payable unless a certification, as described herein, is given by the persons appearing in the records of Euroclear or Clearstream, Luxembourg as the owner of the Temporary Global Note or portions thereof being presented for payment, and unless a corresponding certification by Euroclear or Clearstream, Luxembourg shall have been delivered prior to each such date on which such amounts are to be paid.

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

Notices: Notwithstanding Condition 14 (*Notices*), while all the Notes are represented by the Temporary Global Note (or by the Temporary Global Note and the Permanent Global Note) deposited with a 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 14 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

In relation to the Permanent Global Note only:

Exercise of call option: In connection with an exercise of the option contained in Condition 6(d) (*Redemption at the Option of the Issuer and Exercise of Issuer's Options*) in respect of some but not all of the Notes, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (this shall be recorded in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion) or any other clearing system (as the case may be).

Exercise of put option: In order to exercise the option contained in Condition 6(e) (*Redemption at the Option of Noteholders and holders' Exercise of Noteholder's Options*) the bearer of the Permanent Global Note must give notice to the Principal Paying Agent (via the relevant clearing system) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Principal Paying Agent, or to a Paying Agent for notation.

The following legend will appear on all Permanent Global Notes and Definitive Notes and any related Coupons or Talons relating to such Notes where TEFRA D is specified in the Applicable Transaction Terms:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in the above legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain realised on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Notwithstanding any other provision herein, Bearer Notes with maturities of one year or less may be issued.

Legend appearing on Implicit Yield Notes

The following legend will appear on all Notes and on all receipts and coupons relating to Implicit Yield Notes:

"THE SALE, TRANSFER OR ACQUISITION OF IMPLICIT YIELD NOTES (AS DEFINED IN CONDITION 8 OF THE NOTES), INCLUDING, BUT NOT LIMITED TO, ZERO COUPON NOTES, TO OR BY INDIVIDUALS (PERSONAS FÍSICAS) WHO ARE TAX RESIDENT IN SPAIN (EACH A "SPANISH INDIVIDUAL") IS FORBIDDEN IN ALL CASES. ANY TRANSFER OF IMPLICIT YIELD NOTES TO OR BY SPANISH INDIVIDUALS IS NOT PERMITTED AND SUCH TRANSFER WILL BE CONSIDERED NULL AND VOID BY THE ISSUER AND THE GUARANTOR. ACCORDINGLY, NEITHER THE ISSUER NOR THE GUARANTOR WILL RECOGNISE ANY SPANISH INDIVIDUAL AS AN OWNER OF IMPLICIT YIELD NOTES."

TRANSFER RESTRICTIONS

Each prospective purchaser of Notes offered in reliance on Rule 144A by accepting delivery of this Base Prospectus will be deemed to have represented and agreed that such offeree acknowledges that this Base Prospectus is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act (if available).

Each purchaser of Notes offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer, (B) is aware that the sale to it is being made in reliance on Rule 144A and (C) is acquiring such Notes for its own account or for the account of a qualified institutional buyer.
- (2) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged or otherwise transferred only (A) to a person who the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.
- (3) The purchaser understands that Notes of a Series offered in reliance on Rule 144A will be represented by a Restricted Global Note Certificate or, as the case may be, a Restricted International Global Note Certificate. Before any interest in such Restricted Global Note Certificate or, as the case may be, a Restricted International Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate or, as the case may be, a Unrestricted International Global Note Certificate, the seller will be required to provide the Registrar with a written certification as to compliance with the transfer restrictions referred to in clause (2)(B) or (2)(C) above.
- (4) Either (A) the purchaser is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") that is subject to Title I of ERISA, (ii) a "plan" subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 the Code, or (iv) a governmental or other benefit plan which is

subject to any U.S. federal, state or local law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) her purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law) for which an exemption is not available.

- (5) The purchaser will deliver to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

In order to effectuate the foregoing restrictions on resales and other transfers of the Definitive Notes or Individual Note Certificates sold, or issued in exchange for a Note sold pursuant to Rule 144A, if any resale or transfer of a Note is proposed to be made (otherwise than to or through a Dealer or in reliance on Rule 144A or Regulation S), (i) directly by the holder of a Note, or (ii) through the services of a dealer other than a Dealer, the prospective purchaser of the Note, in the case of a resale or transfer of a Note to be made directly by the holder of such note, or such dealer, in the case of a resale or transfer of such Note to be made through such dealer, shall deliver a letter to the Issuer substantially in the form provided in the Programme Manual, appropriately completed. If any resale or transfer of a Note is proposed to be made to a Dealer or in reliance on Rule 144A or Regulation S, either (i) the holder of such Note shall have made the appropriate notation on the transfer notice set forth on such Note or otherwise advised the Principal Paying Agent in writing that it is relying on Rule 144A or Regulation S in connection with such transfer or is transferring such Note to a Dealer or (ii) the prospective purchaser, its agent or a Dealer shall deliver a letter to the Principal Paying Agent substantially in the form prescribed in the Programme Manual, appropriately completed along with the Note presented for transfer. Inquiries concerning transfers of Notes should be made to any Dealer.

The Restricted U.S. Global Note Certificates will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES.

IF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF CEDE & CO. (OR SUCH OTHER PERSON AS MAY BE NOMINATED BY THE DEPOSITORY TRUST COMPANY ("**DTC**") FOR THE PURPOSE) (COLLECTIVELY, "**CEDE & CO.**") AS NOMINEE FOR DTC, THEN, UNLESS THIS NOTE CERTIFICATE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF DTC TO THE ISSUER OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE CERTIFICATE ISSUED UPON REGISTRATION OF TRANSFER OR EXCHANGE OF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF CEDE & CO. (OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC) AND ANY PAYMENT HEREUNDER IS MADE TO CEDE & CO. (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), HAS AN INTEREST HEREIN."

The Restricted International Global Note Certificates will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES.

IF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF A PERSON NOMINATED BY THE COMMON DEPOSITORY OR, AS THE CASE MAY BE, COMMON SAFEKEEPER OF EUROCLEAR BANK S.A./N.V. ("**EUROCLEAR**") AND/OR CLEARSTREAM BANKING, S.A, LUXEMBOURG ("**CLEARSTREAM, LUXEMBOURG**", AND TOGETHER WITH EUROCLEAR, THE "**INTERNATIONAL CLEARING SYSTEMS**") AS NOMINEE FOR THE INTERNATIONAL CLEARING SYSTEMS, THEN, UNLESS THIS NOTE CERTIFICATE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF SUCH COMMON DEPOSITORY OR, AS THE CASE MAY BE, COMMON SAFEKEEPER TO THE ISSUER OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE CERTIFICATE ISSUED UPON REGISTRATION OF TRANSFER OR EXCHANGE OF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF SUCH NOMINEE (OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON DEPOSITORY OR, AS THE CASE MAY BE, COMMON SAFEKEEPER) AND ANY PAYMENT HEREUNDER IS MADE TO SUCH NOMINEE (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, THE RELEVANT NOMINEE (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), HAS AN INTEREST HEREIN."

Restricted Individual Note Certificates issued in exchange for an interest in a Restricted International Global Note Certificate will bear the following legend and be subject to the transfer restrictions set forth therein:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES."

The Agency Agreement provides that such legends will not be removed unless the Registrar is advised that the relevant Note is being transferred pursuant to Regulation S or unless there is delivered to the Issuer, the Guarantor and the Registrar satisfactory evidence, which may include an opinion of U.S. counsel, to the effect that neither such legends nor the restrictions on transfer set forth therein are required to ensure that transfers of

such Note comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Note is not a "restricted security" within the meaning of Rule 144 under the Securities Act.

No transfer of Implicit Yield Notes to Spanish Individuals

The sale, transfer or acquisition of Implicit Yield Notes (as defined below), including, but not limited to, Zero Coupon Notes, to or by individuals (*personas físicas*) who are tax resident in Spain (each a "**Spanish Individual**") is forbidden in all cases. Any transfer of Implicit Yield Notes to or by Spanish Individuals is not permitted and such transfer will be considered null and void by the Issuer and the Guarantor. Accordingly, neither the Issuer nor the Guarantor will recognise any Spanish Individual as an owner of Implicit Yield Notes.

"**Implicit Yield Notes**" means Notes in respect of which the income derives from (a) the difference between the redemption amount and the issue price of the Notes, or (b) subject to the paragraph below, a combination of (i) an explicit coupon and (ii) the difference between the redemption amount and the issue price of the Notes. For the purposes of this Base Prospectus and in accordance with Spanish tax regulations, Notes with the characteristics set out in (b) above will only be deemed Implicit Yield Notes if the interest payable in each year (explicit coupon) is lower than the Interest Rate of Reference applicable as of the Issue Date.

The "**Interest Rate of Reference**" shall be the interest rate applicable to each calendar quarter determined by reference to 80% of the weighted average rate fixed in the preceding calendar quarter for (a) three-year Spanish Government Bond issues, if the Notes have a term of four years or less, (b) five-year Spanish Government Bond issues, if the Notes have a term of more than four years but equal or less than seven years, or (c) 10, 15 or 30-year Spanish Government Bond issues, if the Notes have a term of more than seven years, all as determined by the Calculation Agent in a commercially reasonable manner.

USE OF PROCEEDS

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

SANTANDER INTERNATIONAL PRODUCTS PLC

The legal name of the Issuer is Santander International Products plc, registered and incorporated on 25 June 2004 in Ireland under the Irish Companies Acts 1963 to 2013, as a public limited company for an indefinite period with registration number 387937. Santander International Products plc is a subsidiary of Banco Santander, S.A.

The Registered Office of the Issuer is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, telephone number: + 353 1 612 32 97.

The authorised share capital of the Issuer is EUR 40,000 divided into 40,000 ordinary shares of EUR 1 each, all of which have been issued and paid up.

The Issuer complies with the corporate governance regime(s) in Ireland.

Major Shareholders

A total of 39,994 of the issued ordinary shares of the Issuer are held by the Guarantor and the remaining six shares are held by Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento de Inversiones, S.A., Reintegra, S.A., Altamira Real Estate, S.A. and Merciver, S.L. The Issuer complies with the relevant statutory provisions and safeguards which regulate the relationship between a company and its major shareholder in order to prevent an abuse of control by a major shareholder.

Business

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

Financial instruments issued by the Issuer are quoted on the Irish Stock Exchange.

The outstanding notional amount of the Notes issued under the Santander International Products plc EUR 10,000,000,000 Euro Medium Term Note Programme, guaranteed by Banco Santander, S.A., was, at 31 December 2015, EUR 1,576,427,470.

Directors

The Directors of the Issuer are as follows:

Name	Principal Occupation	Other Activities
Fermín Cifuentes Muntadas	Director	-
Antonio Torío Martín	Director	• Santander Finance Preferred, S.A.U. (President) • Emisora Santander España, S.A.U. (President) • Santander US Debt, S.A.U. (Adviser) • Santander Issuances, S.A.U. (Adviser) • Santander Commercial Paper, S.A.U. (Adviser) • Santander International Debt, S.A.U. (Adviser)
Carmen del Pozo Sainz	Director	Cavalsa Gestion S.A. (Adviser)
Francisco Javier Armada Bravo	Director	Santander Back Offices Globales Mayoristas, S.A. (President)
Alfredo Madrigal Matute	Director	-

The business address of the Directors of the Issuer is Ciudad Grupo Santander, Av. de Cantabria s/n, ed. Encinar, planta baja, 28660, Boadilla del Monte Madrid, Spain.

The Bank of New York Mellon is the administrator of the Issuer. Its duties include the provision of certain administrative and related services including acting as company secretary. The appointment of the administrator may be terminated and the administrator may retire upon 90 days' written notice subject to the appointment of an alternative administrator.

The Issuer has established a bank account with the Guarantor.

Conflicts of Interest

There exist no conflicts of interest between the administrative, management and supervisory bodies of the Issuer and there exist no potential conflicts of interest between any duties to the issuing entity of any members of such administrative, management or supervisory bodies and their private interests and/or other duties.

Audit Committee

The Guarantor has an audit committee which has purview of the audit of the Issuer. Under Regulation 91(9)(d) of the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulation 2010 ("Regulation 2010"), which was published by the Irish Minister for Enterprise, Trade and Innovation on 25 May 2010, a company like the Issuer may avail itself of an exemption from the requirement to establish an audit committee.

The Directors have concluded that there is currently no need for the Issuer to have a separate audit committee and accordingly the Issuer has availed itself of the exemption under Regulation 91(9)(d) of Regulation 2010.

Auditors

The independent auditors of the Issuer, Deloitte, are chartered accountants and members of the Institute of Chartered Accountants and registered auditors, qualified to practice in Ireland. As registered auditors, Deloitte are regulated by the Chartered Accountants Regulatory Board of the Institute of Chartered Accountants in Ireland, whose address is Chartered Accountants House, 47 Pearse Street, Dublin 2, Ireland. The registered office of Deloitte is Earlsfort Terrace, Dublin 2, Ireland.

Selected historical key financial information

Income Statement of the Issuer for the years ended 31 December 2015 and 2014

	Year ended 31/12/2015 EUR	Year ended 31/12/2014 EUR
Interest income on investments	14,812,872	18,757,602
Interest expense on notes and commercial paper issued	(50,144,001)	(46,602,615)
Net income from derivatives	35,553,368	28,458,304
Amortisation on premiums arising on origination of loans and receivables	36,210	17,727
Amortisation of discount on issuance of notes	(36,210)	(17,727)
Net interest income	222,239	613,291
Net realised gains on notes issued – designated as at fair value through profit or loss	7,676,373	29,783,034
Net realised losses on derivatives	(7,676,373)	(29,551,877)
Fair value movements on notes issued – designated as at fair value through profit or loss	3,054,344	(29,107,229)
Fair value movements on derivatives	(878,728)	31,564,836
Net foreign exchange loss	(2,175,616)	(2,688,764)

	Year ended 31/12/2015 EUR	Year ended 31/12/2014 EUR
Net operating income	222,239	613,291
Other income	415,000	-
Other expenses	(532,794)	(503,425)
Net income for the year before taxation	104,445	109,866
Taxation	(31,334)	(32,960)
Profit for the financial year after taxation	73,111	76,906
Total comprehensive income for the financial year	73,111	76,906

Statement of Financial Position of the Issuer for the years ended 31 December 2015 and 2014

	As at 31/12/2015 EUR	As at 31/12/2014 EUR
Assets		
Investment – designated at fair value through profit or loss	1,219,876,508	1,363,812,073
Loans and receivables	356,550,962	101,721,058
Derivatives	129,382,884	137,786,059
Interest receivable on investments	2,260,602	2,319,541
Interest receivable on derivatives	13,187,311	4,449,657
Expense prepayment	25,306	16,197
Cash and cash equivalents	936,063	551,719
	1,722,219,636	1,610,656,304
Liabilities		
Notes issued – designated as at fair value through profit or loss	1,280,695,982	1,425,200,263
Notes issued – at amortised cost	356,240,950	101,721,058
Derivatives	68,873,433	76,397,870
Interest payable on notes issued	7,106,109	4,506,020
Interest payable on derivatives	8,316,222	2,209,457
Corporation tax payable	31,334	32,960
Deferred income	329,601	-
Expense accruals	8,183	43,452
Withholding tax payable	39,359	39,872
	1,721,641,173	1,610,150,952
Net assets	578,463	505,352
Equity		
Share capital	40,000	40,000
Capital contribution	337,000	337,000
Retained earnings	201,463	128,352

	Year ended 31/12/2015 EUR	Year ended 31/12/2014 EUR
Shareholders' funds	578,463	505,352

BANCO SANTANDER, S.A.

DESCRIPTION OF THE GUARANTOR

INFORMATION TO BE DISCLOSED ABOUT THE GUARANTOR

The guarantor must disclose information about itself as if it were the issuer of that same type of security that is the subject of the guarantee.

1. PERSONS RESPONSIBLE

- 1.1 *All persons responsible for the information given in this Base Prospectus relating to the guarantor and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.*

Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Guarantor**", the "**Bank**", "**we**" or the "**Parent**") accepts responsibility for the information contained in this Base Prospectus relating to the Guarantor.

Banco Santander is the Guarantor under this Base Prospectus and assumes responsibility for the guarantee.

- 1.2 *A declaration by those responsible for this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to the guarantor is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of this Base Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

The Bank confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

- 2.1 *Names and addresses of the guarantor's auditors for the period covered by the historical financial information (together with their membership in a professional body).*

The non-consolidated and consolidated annual financial statements of Banco Santander, S.A. for the years ended 31 December 2015 and 31 December 2014 were audited by the independent auditors, Deloitte, S.L. Deloitte, S.L. is registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. is a member of the *Instituto de Censores Jurados de Cuentas de España*. The address of Deloitte, S.L. is Plaza Pablo Ruiz Picasso, 1, Madrid.

- 2.2 *If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.*

The Bank's auditors, Deloitte S.L., were not re-appointed in the General Meeting of Shareholders held on 18 March 2016 and PricewaterhouseCoopers Auditores S.L. were appointed as new auditors of the Group to audit the annual financial statements for the financial year ended 31 December 2016.

3. SELECTED FINANCIAL INFORMATION

- 3.1 *Selected historical financial information regarding the guarantor prepared under IFRS-EU, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The*

selected historical financial information must provide key figures that summarise the financial condition of the guarantor.

Audited Condensed Balance Sheet and Income Statement (million euro)**	31 December 2015	31 December 2014	Variation (%)
	(Million euro)		
Total assets	1,340,260	1,266,296	5.84
Net customer loans	790,848	734,711	3.38
Customer deposits	683,122	647,627	5.48
Managed and marketed customer funds	1,075,565	1,023,437	5.1
Shareholders' equity	102,402	91,663	11.71
Total managed and marketed funds	1,506,520	1,428,083	5.5
Net interest income	32,812	29,547	11.05
Gross income	45,895	42,612	7.70
Profit before tax	9,547	10,679	0.89
Profit for the year from continuing operations	7,334	6,961	5.35
Profit attributable to the Parent	5,966	5,816	2.57

- 3.2 *If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet data is satisfied by presenting the year end balance sheet information.*

Unaudited Condensed Balance Sheet (million euro)**	As at and for the three months ended 31 March 2016	31 March 15	Variation (%)
Total assets	1,324,200	1,369,689	3.3
Net customer loans	773,452	793,965	2.6
Customer deposits	670,607	687,362	2.4
Managed and marketed customer funds	1,057,969	1,091,174	3.0
Total equity	98,781	102,105	3.3
Total managed and marketed funds	1,489,950	1,545,444	3.6
Unaudited Condensed Income Statement			
Net Interest income	7,624	8,038	(5.2)
Gross income	10,730	11,444	(6.2)
Pre-provision profit (net operating income)	5,572	6,067	(8.1)
Profit before taxes	2,731	2,990	(8.6)
Ordinary profit for from continuing operations	1,921	2,067	(7.0)
Attributable profit to the Group	1,633	1,717	(4.9)
** Non-audited information			

4. **RISK FACTORS**

4.1 ***Prominent disclosure of risk factors that may affect the guarantor's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors" in the Base Prospectus.***

See "Risk Factors" on pages 42 to 91 of this Base Prospectus.

5. **INFORMATION ABOUT THE GUARANTOR**

5.1 ***History and development of the guarantor.***

5.1.1 ***Legal and trading name of the guarantor.***

The name of the Bank is Banco Santander, S.A. and it operates under the trading name "Santander".

5.1.2 ***The place of registration of the guarantor and its registration number.***

The Bank is registered in the Mercantile Registry of Cantabria in book 83, folio 1, sheet 9, entry 5519, and adapted its Bylaws to conform with current legislation regarding limited liability companies by a document executed in the city of Santander on 8 June 1992 before the Public Notary Mr. José María de Prada Díez, and numbered 1316 in his records, and registered in the Mercantile Registry of Cantabria in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

The current Bylaws, which have been adapted to the current *Ley de Sociedades de Capital (Spanish Corporations Law)*, were approved by the shareholders at the General Shareholders' Meeting held on 30 March 2012 and filed with the Office of the Mercantile Registry on 27 August 2012. However, Article 5 of such By-laws, which relates to the current authorised share capital, was last amended by the share increase carried on 30 January 2014.

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully issued and paid up of €7,217,246,289.50 divided into 14,434,492,579 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

The Bank is also registered in the Special Register of Banks and Bankers under code number 0049.

5.1.3 ***The date of incorporation and the length of life of the guarantor, except where indefinite.***

The Bank was founded in the city of Santander by notarised document executed on 3 March 1856 before Mr. José Dou Martínez, ratified and partially amended by a further document dated 21 March 1857 before the court official of Santander Mr. José María Olarán, and commenced trading on 20 August 1857.

The Bank was transformed to a Credit Company (*Sociedad Anónima de Crédito*) by a public deed executed on 14 January 1875 that was recorded with the Mercantile Registry of the Government of the Province of Santander.

The Bank commenced trading at the time of its formation and according to Article 4.1 of the Articles of Association it will remain in existence for an indefinite period.

5.1.4 ***The domicile and legal form of the guarantor, the legislation under which the guarantor operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office).***

The Bank is domiciled in Spain and has the legal form of a limited liability company (*Sociedad Anónima*) and its activities are subject to special Spanish legislation governing credit institutions in general and the supervision, control and regulation of the Bank of Spain in particular.

The Bank was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The headquarters of the Bank are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520.

5.1.5 ***Any recent events particular to the guarantor which are to a material extent relevant to the evaluation of the guarantor's solvency.***

Principal Capital Expenditures and Divestitures

Acquisitions, Dispositions, Reorganisations

Our principal acquisitions and dispositions in 2015, 2014 and 2013 were as follows:

Merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A.

On 28 February 2012, the Group announced that Banco Santander, S.A. and KBC Bank NV ("**KBC**") had entered into an investment agreement to merge their two subsidiaries in Poland, Bank Zachodni WBK S.A. and Kredyt Bank S.A., respectively, following which the Group would control approximately 76.5% of the entity resulting from the merger and KBC 16.4%, with the remaining 7.1% being owned by non-controlling interests. Also, the Group undertook to place a portion of its ownership interest among investors and to acquire up to 5% of the entity resulting from the merger in order to help KBC to reduce its holding in the merged entity to below 10%. KBC's objective is to dispose of its entire investment in order to maximise its value.

The transaction was carried out through a capital increase at Bank Zachodni WBK S.A., whose new shares would be offered to KBC and the other shareholders of Kredyt Bank S.A. in exchange for their shares in Kredyt Bank S.A. The related exchange ratio was established at 6.96 shares of Bank Zachodni S.A. for every 100 shares of Kredyt Bank S.A.

In early 2013, following the approval from the Polish financial regulator ("**KNF**"), the aforementioned transaction was consummated. As a result, the Group controlled approximately 75.2% of the post-merger entity and KBC controlled approximately 16.2%, with the remaining 8.6% being owned by non-controlling holders. This transaction gave rise to an increase of €1,037 million in non-controlling interests – €169 million as a result of the acquisition of control of Kredyt Bank S.A. and €868 million as a result of the reduction in the percentage of ownership of Bank Zachodni WBK S.A.

On 22 March 2013, Banco Santander, S.A. and KBC completed the placement of all the shares owned by KBC and 5.2% of the share capital of Bank Zachodni WBK S.A. held by the Group in the market for €285 million, which gave rise to an increase of €292 million in non-controlling interests.

Following these transactions, the Group held 70% of the share capital of Bank Zachodni WBK S.A. and the remaining 30% was held by non-controlling holders.

Mergers by absorption of Banesto and Banco Banif

On 17 December 2012, we announced that we had resolved to approve the plan for the merger by absorption of Banesto and Banco Banif, S.A. ("**Banesto**") as part of the restructuring of the Spanish financial sector. These transactions are part of a commercial integration which brought Banesto and Banif under the Santander brand.

At their respective board of directors meetings held on 9 January 2013, the directors of the Bank and Banesto approved the common draft terms of the merger by absorption of Banesto into the Bank with the dissolution without liquidation of the former and the transfer en bloc of all its assets and liabilities to the Bank, which acquired, by universal succession, the rights and obligations of the absorbed entity. As a result of the merger, the shareholders of Banesto, other than the Bank, received in exchange shares of the Bank.

1 January 2013 was established as the date from which the transactions of Banesto shall be considered to have been performed for accounting purposes for the account of the Bank.

On 22 March 2013 and 21 March 2013, the general shareholders' meetings of the Bank and Banesto, respectively, approved the terms of the merger.

On 29 April 2013, pursuant to the provisions of the terms of the merger and to the resolutions of the general shareholders' meetings of both companies, the regime and procedure for the exchange of Banesto shares for shares of Banco Santander were made public. Banco Santander covered the

exchange of Banesto shares with shares held as treasury stock based on the exchange ratio of 0.633 shares of Banco Santander, each with a nominal value of €0.50, for each share of Banesto, each with a nominal value of €0.79, without provision for any supplemental cash remuneration.

On 3 May 2013, the merger was registered with the Commercial Registry of Cantabria and the dissolution of Banesto was completed.

The directors of Banco Banif, S.A., at its board of directors meeting held on 28 January 2013, and the directors of Banco Santander, S.A., at its board of directors meeting held on that same day, approved the common drafts terms of the merger by absorption of Banco Banif, S.A. into Banco Santander, S.A. with the dissolution without liquidation of the former and the transfer en bloc of all its assets and liabilities to Banco Santander, S.A., which acquired, by universal succession, the rights and obligations of the absorbed entity.

1 January 2013 was established as the date from which the transactions of Banif were considered to have been performed for accounting purposes for the account of the Bank.

On 7 May 2013, the merger was registered with the Commercial Registry of Cantabria and the dissolution of Banco Banif, S.A. was completed.

Insurance business in Spain

On 20 December 2012, we announced that we had reached an agreement with Aegon. In this regard, we created two insurance companies, one for life insurance and the other for general insurance, in which Aegon would acquire ownership interests of 51%, and management responsibility would be shared by Aegon and the Group. We would hold 49% of the share capital of the companies and we would enter into a distribution agreement for the sale of insurance products in Spain through the commercial networks for a period of 25 years. The agreement would not affect savings, health and vehicle insurance, which would continue to be owned and managed by Santander.

In June 2013, after obtaining the relevant authorisations from the Directorate-General of Insurance and Pension Funds and from the European competition authorities, Aegon acquired a 51% ownership interest in the two insurance companies created by the Group for these purposes, one for life insurance and the other for general insurance (currently Aegon Santander Vida Seguros y Reaseguros, S.A. and Aegon Santander Generales Seguros y Reaseguros, S.A.), for which it paid €220 million, thereby gaining joint control together with the Group over the aforementioned companies. The agreement also includes payments to Aegon that are deferred over two years and amounts receivable for the Group that are deferred over five years, depending on the business plan.

The aforementioned agreement includes the execution of a distribution agreement for the sale of insurance products in Spain for 25 years through commercial networks, for which the Group will receive commissions at market rates.

This transaction gave rise to a gain of €385 million recognised under gains (losses) on disposal of assets not classified as non-current assets held for sale (€270 million net of tax), of which €186 million related to the fair value recognition of the 49% ownership interest retained by the Group.

Agreement with Elavon Financial Services Limited

On 19 October 2012, we announced that we had entered into an agreement with Elavon Financial Services Limited to jointly develop the payment services business in Spain through point-of-sale credit and debit card terminals at merchants.

This transaction involved the creation of a joint venture, 51% owned by Elavon and 49% owned by us, to which we transferred our aforementioned payment services business in Spain (excluding the former Banesto).

The transaction was completed in the first half of 2013 and generated a gain of €122 million (€85 million net of tax).

Agreement with Warburg Pincus and General Atlantic

On 30 May 2013, we announced that we had entered into an agreement with subsidiaries of Warburg Pincus and General Atlantic to foster the global development of our asset management unit, Santander Asset Management ("**SAM**"). Pursuant to the terms and conditions of the agreement, Warburg Pincus and General Atlantic together own 50% of the holding company which comprises the 11 management companies we have, mainly in Europe and Latin America, while the other 50% are held by us.

The purpose of the alliance is to enable SAM to improve its ability to compete with the large independent international asset management companies, since the businesses to be strengthened include asset management in the global institutional market, with the additional advantage of having knowledge and experience in the markets in which we are present. The agreement also contemplates the distribution of products managed by SAM in the countries in which we have a commercial network for a period of ten years, renewable for five additional two-year periods, for which we will receive commissions at market rates, thus benefiting from broadening the range of products and services we offer our customers. SAM also distributes its products and services internationally, outside our commercial network.

Since the aforementioned asset management companies belonged to different Group companies, a corporate restructuring took place prior to the completion of the transaction whereby each of the asset management companies was sold by its shareholders for its fair value to SAM Investment Holdings Limited ("**SAM Holdings**"), a holding company created by us. The aggregate value of the asset management companies was approximately €1.7 billion.

Subsequently, in December 2013, once the required authorisations were obtained from various regulators, the agreement was executed through the acquisition of a 50% ownership interest in SAM's share capital by Sherbrooke Acquisition Corp SPC (an investee of Warburg Pincus and General Atlantic) for €449 million. At that date, SAM had financing from third parties for €845 million. The agreement includes deferred contingent amounts payable and receivable for the Group based on the achievement of the business plan targets over the coming five years.

Also, we entered into a shareholders' agreement with Sherbrooke Acquisition Corp SPC shareholders regulating, *inter alia*, the taking of strategic, financial, operational and other significant decisions regarding the ordinary management of SAM on a joint basis. Certain restrictions on the transferability of the shares were also agreed, and a commitment was made by the two parties to retain the restrictions for at least 18 months. Lastly, Sherbrooke Acquisition Corp SPC will be entitled to sell to the Group its ownership interest in the share capital of SAM at market value on the fifth and seventh anniversaries of the transaction, unless a public offering of SAM shares has taken place prior to those dates.

Following these transactions, at year-end we held a 50% ownership interest in SAM and controlled this company jointly with the aforementioned shareholders.

As a result of the aforementioned transaction, we recognised a gain of €1,372 million in the consolidated income statement for 2013, of which €671 million related to the fair value of the 50% ownership interest retained by us.

Sale of Altamira Asset Management

On 21 November 2013, we announced that we had reached a preliminary agreement with Apollo European Principal Finance Fund II, a fund managed by subsidiaries of Apollo Global Management, LLC, for the sale of the platform for managing the recovery of Banco Santander, S.A.'s loans in Spain and for managing and marketing the properties obtained through this activity ("**Altamira Asset Management, S.L.**").

On 3 January 2014, we announced that we had sold 85% of the share capital of Altamira Asset Management, S.L. to Altamira Asset Management Holdings, S.L., an investee of Apollo European Principal Finance Fund II, for €664 million, giving rise to a net gain of €385 million, which was recognised in our consolidated income statement for 2014.

Following this transaction, we retained the aforementioned property assets and loan portfolio on our balance sheet, while management of these assets is carried out from the platform owned by Apollo.

Santander Consumer USA

In January 2014, the public offering of shares of Santander Consumer USA Inc. ("**SCUSA**") was completed and the company was admitted to trading on the New York Stock Exchange. The offering represented 21.6% of SCUSA's share capital, of which 4.23% related to the ownership interest sold by the Group. Following this sale, we held 60.74% of the share capital of SCUSA (31 December 2014: 60.46%). Both Sponsor Auto Finance Holdings Series LP ("**Sponsor Holdings**") – an investee of funds controlled by Warburg Pincus LLC, Kohlberg Kravis Roberts & Co. L.P. and Centerbridge Partners L.P. – and DDFS LLC ("**DDFS**") – a company controlled by Thomas G. Dundon, who holds the position of Chief Executive Officer of SCUSA – also reduced their ownership interest in SCUSA.

Since the ownership interests of the aforementioned shareholders were reduced below specified percentages following the offering, the shareholders' agreement previously entered into by the shareholders was terminated in accordance with its terms; this entailed the termination of the agreement which, *inter alia*, had granted Sponsor Holdings and DDFS representation on the board of directors of SCUSA and had established a voting system under which the strategic, financial and operating decisions, and other significant decisions associated with the ordinary management of SCUSA, were subject to joint approval by the Group and the aforementioned shareholders. Therefore, SCUSA ceased to be controlled jointly by all of the above and is now controlled by the Group on the basis of the percentage held in its share capital ("**change of control**").

Prior to this change of control the Group accounted for its ownership interest in SCUSA using the equity method. Following the change of control, the Group fully consolidated its ownership interest in SCUSA and, on the date it obtained control, included all of SCUSA's assets and liabilities in its consolidated balance sheet at their fair value.

As a result of the aforementioned transaction, we recognised a net gain of €730 million in the consolidated income statement for 2014.

On 3 July 2015, we announced that we had reached an agreement to acquire the stake held by DDFS LLC in SCUSA, representing 9.68% of the company, for U.S.\$928 million. The transaction is subject to regulatory approval. If the transaction closes, our stake in SCUSA will be approximately 68.62%.

Agreement with El Corte Inglés

On 7 October 2013, we announced that we had entered into a strategic agreement through our subsidiary Santander Consumer Finance, S.A. with El Corte Inglés, S.A. in the area of consumer finance, which included the acquisition of 51% of the share capital of Financiera El Corte Inglés E.F.C., S.A., with El Corte Inglés, S.A. retaining the remaining 49%. On 27 February 2014, following the receipt of the relevant regulatory and competition authorisations, the acquisition was completed. Santander Consumer Finance, S.A. paid €140 million for 51% of the share capital of Financiera El Corte Inglés E.F.C., S.A.

GetNet Tecnologia Em Captura e Processamento de Transações H.U.A.H. S.A.

On 7 April 2014, Banco Santander (Brazil) S.A. announced that it had reached an agreement to purchase through an investee all the shares of GetNet Tecnologia Em Captura e Processamento de Transações H.U.A.H. S.A. ("**GetNet**"). The transaction was completed on 31 July 2014 for a purchase price of BRL1,156 million (approximately €383 million), giving rise to goodwill of €229 million.

Acquisition of non-controlling interests in Banco Santander (Brazil) S.A.

On 28 April 2014, the Bank's board of directors approved a bid for the acquisition of all the shares of Banco Santander (Brazil) S.A. not then owned by the Group, which represented approximately 25% of the share capital of Banco Santander (Brazil) S.A., offering in consideration Bank shares in the form of Brazilian Depositary Receipts ("**BDRs**") or American Depositary Receipts ("**ADRs**"). As part of the bid, the Bank requested that its shares be listed on the São Paulo Stock Exchange in the form of BDRs.

The offer was voluntary, in that the non-controlling shareholders of Banco Santander (Brazil) S.A. were not obliged to participate, and it was not conditional upon a minimum acceptance level. The consideration offered, following the adjustment made as a result of the application of the Santander Dividendo Elección scrip dividend scheme in October 2014, consisted of 0.7152 new Banco Santander

shares for each unit or ADR of Banco Santander (Brazil) S.A. and 0.3576 new Banco Santander shares for each ordinary or preference share of Banco Santander (Brazil) S.A.

The bid was accepted by holders of 13.65% of the share capital of Banco Santander (Brazil) S.A. Accordingly, the Group's ownership interest in Banco Santander (Brazil) S.A. rose to 88.30% of its share capital. To cater for the exchange, the Bank, executing the agreement adopted by the extraordinary general shareholders' meeting held on 15 September 2014, issued 370,937,066 shares, representing approximately 3.09% of the Bank's share capital at the issue date. The aforementioned transaction gave rise to an increase of €185 million in Share capital, €2,372 million in Share premium and €15 million in Reserves, and a reduction of €2,572 million in Non-controlling interests.

The shares of Banco Santander (Brazil) S.A. continue to be listed on the São Paulo and New York stock exchanges.

Agreement with CNP

On 10 July 2014, we announced that we had reached an agreement with the French insurance company CNP Assurances ("CNP") to acquire a 51% stake in three insurance companies based in Ireland (Santander Insurance Life Limited, Santander Insurance Europe Limited and Santander Insurance Services Ireland Limited) that distribute life and non-life products through the Santander Consumer Finance network.

In December 2014, after the regulatory authorisations were obtained, CNP paid €297 million to acquire a 51% stake, or a controlling interest, in the three aforementioned insurance companies. The agreement includes deferred payments to CNP in 2017 and 2020 and deferred amounts receivable by the Group in 2017, 2020 and 2023, based on the business plan.

The agreement included the execution of a 20-year retail agreement, renewable for five-year periods, for the sale of life and non-life insurance products through the Santander Consumer Finance network, for which we will receive commissions at market rates.

This transaction gave rise to the recognition of a gain of €413 million under Gains/(losses) on disposal of assets not classified as non-current assets held for sale, of which €207 million related to the fair value recognition of the 49% ownership interest retained by us.

Agreement with GE Capital

On 23 June 2014, we announced that Santander Consumer Finance, S.A., Banco Santander's consumer finance unit, had reached an agreement with GE Money Nordic Holding AB to acquire GE Capital's business in Sweden, Denmark and Norway for approximately €693 million at the date of the announcement. The acquisition was completed on 6 November 2014, following the receipt of the relevant authorisations.

Agreement with Banque PSA Finance

We, through our subsidiary Santander Consumer Finance, S.A., and Banque PSA Finance, the vehicle financing unit of the PSA Peugeot Citroën Group, entered into an agreement in July 2014 for the joint operation of a vehicle financing business in 12 European countries. Pursuant to the terms of the agreement, we will finance this business under certain circumstances and conditions from the date on which the transaction is completed. In addition, in certain countries, we will purchase the current lending portfolio of Banque PSA Finance. We also entered into a cooperation agreement relating to the insurance business in all these countries.

In January 2015, the relevant regulatory authorisations were obtained for the commencement of activities in France and the United Kingdom. As a result, we acquired in February 2015 50% of Société Financière de Banque – SOFIB and PSA Finance UK Limited for €462 million and €148 million, respectively.

In addition, under the framework agreement, PSA Insurance Europe Limited and PSA Life Insurance Europe Limited (both insurance companies with registered office in Malta) were incorporated on 1 May 2015 in which we contributed 50% of the share capital, amounting to €23 million. On 3 August 2015 we acquired a full ownership interest in PSA Gestão – Comércio E Aluguer de Veiculos, S.A. (a

company with registered office in Portugal) and the loan portfolio of the Portuguese branch of Banque PSA Finance for €10 million and €25 million, respectively. On 1 October 2015 PSA Financial Services Spain, E.F.C., S.A. (a company with registered office in Spain) was incorporated, in which we contributed €181 million (50% of the share capital).

Agreement to acquire Carfinco

On 16 September 2014, we announced that we had reached an agreement to acquire the listed Canadian company Carfinco Financial Group Inc. ("**Carfinco**"). The board of directors of Carfinco approved the transaction and recommended to its shareholders that they vote in favour of it at the general meeting called for such purpose, and the transaction was completed on 6 March 2015 for an amount of €209 million generating goodwill of €162 million.

Metrovacesa, S.A.

On 19 December 2012, the creditor entities that participated in a debt restructuring agreement for the Sanahuja Group under which they received shares of Metrovacesa, S.A. as payment for that group's debt, announced that they reached an agreement to promote the delisting of the shares of Metrovacesa, S.A. and they voted in favour of this at the general meeting held for this purpose on 29 January 2013. Following the approval of the delisting and the public takeover offer at the Metrovacesa, S.A. general meeting, the entities made a delisting public takeover offer of €2.28 per share to the Metrovacesa, S.A. shareholders that had not entered into the agreement. We participated in the delisting public takeover offer by acquiring an additional 1.953% of Metrovacesa, S.A. for €44 million.

Following this transaction, at 31 December 2013, we held an ownership interest of 36.82% in the share capital of Metrovacesa, S.A.

On 23 December 2014, we acquired 19.07% of Metrovacesa, S.A. from Bankia, S.A. for €98.9 million, as a result of which our stake increased to 55.89%, thus obtaining control over this company. After this transaction, Metrovacesa, S.A. is fully consolidated with the Group (until then it was accounted for by the equity method).

Lastly, on 15 September 2015, we acquired 13.8% of Metrovacesa, S.A. from Banco Sabadell, S.A. for €253 million, raising our ownership interest to 72.51%.

For further information see note 3.b. xv. Metrovacesa to our consolidated financial statements.

Acquisition of Banco Internacional do Funchal (Banif)

On 21 December 2015, we announced that, with the aim of providing continuity to Banco Internacional do Funchal ("**Banif**") and safeguarding the interest of its customers, the Bank of Portugal, the resolution authority, had decided to award Banco Banif's business to Banco Santander Totta, a subsidiary of Banco Santander.

The transaction was carried out via the transfer of a large part (the commercial banking business) of Banif's assets and liabilities to Santander Totta. Banco Santander Totta paid €150 million for Banco Banif's assets and liabilities. Meanwhile, other assets and liabilities remained in Banco Banif, which is responsible for any possible litigation resulting from its past activity, for their orderly liquidation or sale.

The acquisition of Banco Banif's businesses positioned Banco Santander Totta as Portugal's second privately-held bank, after BCP-Milenium, with a 14.5% market share in loans and deposits. Banco Banif contributes 2.5 points in market share and has a network of 150 branches and 400,000 customers.

This transaction has no material impact on our capital.

Custody business

On 19 June 2014, we announced that we had reached a definitive agreement with FINESP Holdings II B.V., a subsidiary of Warburg Pincus, to sell a 50% stake in Santander's current custody business in Spain, Mexico and Brazil, retaining the remaining 50%. The transaction values the business at €975

million at the date of the announcement. At 1 December 2015, the sale remained subject to the obtainment of the relevant regulatory authorisations.

On 16 March 2016, the parties agreed to leave aside the original investment structure and continue to work in good faith until 30 June 2016, on an alternative investment structure that would allow the sale by Santander of the 50% stake referred to above.

Merger of Santander Asset Management and Pioneer Investments

On 23 April 2015, we announced that we had reached a preliminary and exclusive agreement with our partners Warburg Pincus and General Atlantic, subject to the signing of final terms, to merge Santander Asset Management and Pioneer Investments to create a leading global asset manager in Europe and Latin America. The combined company, with approximately €353 billion in assets under management at the close of 2014, will be called Pioneer Investments.

The agreement contemplates the creation of a new company into which the local asset managers of Santander Asset Management and Pioneer Investments will be incorporated. Santander will have a direct 33.3% stake in the new company, UniCredit will have a 33.3% stake, and private equity fund managers Warburg Pincus and General Atlantic will share a 33.3% stake. Pioneer Investments' operations in the United States will not be included in the new company but will be owned by UniCredit (50%) and Warburg Pincus and General Atlantic (50%).

The transaction values Santander Asset Management at €2.6 billion and Pioneer Investments at €2.75 billion. Warburg Pincus and General Atlantic will make an additional equity investment into the company as part of the transaction. This transaction will not have any material impact on our capital.

On November 11, 2015, the final framework agreement was signed by UniCredit, Santander, Warburg Pincus and General Atlantic for the integration of these businesses in accordance with the aforementioned structure. The transaction is scheduled to be completed in 2016 once the preconditions established in the framework agreement have been met and the relevant regulatory authorisations have been obtained.

Capital Increases

As of 31 December 2013, our capital had increased by 1,012,240,738 shares, or 9.81% of our total capital as of 31 December 2012, to 11,333,420,488 shares as a result of the following transactions:

- *Scrip Dividend:* On 30 January 2013, 30 April 2013, 31 July 2013 and 31 October 2013, we issued 217,503,395 shares, 270,917,436 shares, 282,509,392 shares and 241,310,515 shares, giving rise to capital increases of €108,751,697.50, €135,458,718, €141,254,696 and €120,655,257.50, respectively.

As of 31 December 2014, our capital had increased by 1,250,994,171 shares, or 11.04% of our total capital as of 31 December 2013, to 12,584,414,659 shares as a result of the following transactions:

- *Scrip Dividend:* On 30 January 2014, 29 April 2014, 30 July 2014 and 5 November 2014, we issued 227,646,659 shares, 217,013,477 shares, 210,010,506 shares and 225,386,463 shares (2.01%, 1.88%, 1.78% and 1.82% of the share capital, respectively), giving rise to capital increases of €113,823,329.50, €108,506,738.50, €105,005,253 and €112,693,231.50, respectively.
- *Acquisition of non-controlling interests in Banco Santander (Brazil) S.A.:* On 4 November 2014, we issued 370,937,066 shares (3.27% of the share capital) giving rise to a capital increase of €185,468,533.

As of 31 December 2015, our capital had increased by 1,850,077,920 shares, or 14.70% of our total capital as of 31 December 2014, to 14,434,492,579 shares as a result of the following transactions:

- *Capital increase:* On 8 January 2015, an extraordinary meeting of the board of directors of the Bank took place to approve a capital increase with the exclusion of pre-emption rights for an amount of up to €7,500 million. The transaction was implemented through an accelerated book-building. The objective of this transaction was to accelerate our plans to grow

organically allowing us to increase both customer credit and market share in our core geographies, and to take advantage of our business model. Our capital was increased for a nominal amount of €606,796,117 through the issuance of 1,213,592,234 ordinary shares of Banco Santander (9.64% of the share capital before the capital increase) with a nominal value of 0.50 each. The price for the new shares was fixed at €6.18 per share. Consequently, the total amount of the capital increase was of €7,500,000,006.12 (€606,796,117 nominal amount and €6,893,203,889.12 share premium). The new shares were admitted to trade in the Spanish markets on 12 January 2015.

- *Scrip Dividend:* On 29 January 2015, 29 April 2015 and 4 November 2015, we issued 262,578,993 shares, 256,046,919 shares and 117,859,774 shares (1.90%, 1.82% and 0.82% of the share capital, respectively), giving rise to capital increases of €131,289,496.50, €128,023,459.50 and €58,929,887, respectively.

Recent Events

Agreement with MERLIN Properties, SOCIMI, S.A.

On 21 June 2016, Banco Santander ("**Santander**") announced that it has reached an agreement with MERLIN Properties, SOCIMI, S.A. ("**MERLIN**"), together with the other majority shareholders of METROVACESA, S.A. ("**Metrovacesa**"), Banco Bilbao Vizcaya Argentaria and Banco Popular, in order to create Spain's largest property group in terms of property rental assets and largest company in terms of residential rental assets, through the integration in MERLIN group (the "**Integration**"), following the total spin-off of Metrovacesa, of Metrovacesa property rental asset business in MERLIN and Metrovacesa residential rental business in Metrovacesa current subsidiary, Testa Residencial, S.L.U. ("**Testa Residencial**"). The other assets of Metrovacesa not integrated in MERLIN group as a result of the Integration, consisting of a residual group of land assets for development and subsequent lease, will be transferred to a newly created company wholly owned by the current shareholders of Metrovacesa. As a result of the Integration, Santander's ownership interest in the share capital of MERLIN and Testa Residencial will rise to 21.95% and 46.21%, respectively. Execution of the Integration is subject to authorisation by the competition authorities and approval by the shareholders of MERLIN and Metrovacesa at their respective general meetings. The impact of the Integration transaction, once executed, on Santander Group's income statement is marginal.

Reiteration on financial and commercial targets for 2016.

On 27 June 2016, Santander announced that it expects to meet all its financial targets. With regards to the second quarter earnings, and as we announced previously, we concluded a cost efficiency exercise in the second quarter. The cost associated (c. €500mn) was partially offset by the capital gains generated in the sale of our stake in Visa. The net impact in the quarter amounted to a charge of c. €250mn. As we shared in our first quarter earnings conference call, our aim is to offset the restructuring cost completely by the end of this year. At this point we reiterate that 2016 EPS will be above 2015 EPS. We do not anticipate that recent events will have a material impact on Grupo Santander accounts in 2016. Accordingly, we are maintaining our previously-announced guidance for all core financial targets for the Group this year, which include: capital creation of 10 basis points per quarter, 40 basis points per annum in order to reach +11% by 2018; positive EPS growth; tangible book value per share growth; and a 10% increase in cash dividend per share and €21cents DPS. As such, all commercial and financial targets for this year are reiterated. We continue to deliver on all our commitments.

Custody Business

On 19 June 2014, we announced that we had reached a definitive agreement with FINESP Holdings II B.V., a subsidiary of Warburg Pincus, to sell a 50% stake in Santander's current custody business in Spain, Mexico and Brazil, retaining the remaining 50%. The transaction values the business at €975 million at the date of the announcement. On 16 March 2016, the parties agreed to leave aside the original investment structure and continue to work in good faith until June 30, 2016 on an alternative investment structure that would allow the sale by Santander of the 50% stake referred to above. On 30 June 2016, the parties have not agreed an alternative investment structure.

5.2 **Investments**

5.2.1 ***A description of the principal investments made since the date of the last published financial statements.***

Not applicable.

5.2.2 ***Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments.***

At the date of this Base Prospectus the Group does not have any other firm investment commitments.

5.2.3 ***Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.***

Not applicable.

6. **BUSINESS OVERVIEW**

6.1 ***Principal activities.***

6.1.1 ***A brief description of the guarantor's principal activities stating the main categories of products sold and/or services performed.***

Business Overview

At 31 December 2015, we had a market capitalisation of €65.8 billion, shareholders' equity of €88.0 billion and total assets of €1,340.3 billion. We had €1,050.0 billion in customer funds under management⁶ at that date. As of 31 December 2015, we had 58,049 employees and 5,548 branch offices in Continental Europe, 25,866 employees and 858 branches in the United Kingdom, 89,819 employees and 5,841 branches in Latin America, 18,123 employees and 783 branches in the United States and 2,006 employees in Corporate Activities (for a full breakdown of employees by country, see "Item 6. Directors, Senior Management and Employees—D. Employees" herein).

We are a financial group operating principally in Spain, the United Kingdom, other European countries, Brazil and other Latin American countries and the United States, offering a wide range of financial products.

In Latin America, we have majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

Grupo Santander maintains the general criteria used in our 2015 Form 20-F, with the exceptions explained below, all of which are reflected in the recast financial information included in our Report on Form 6-K filed with the SEC on 5 November 2015.

In the third quarter 2015, we carried out a change in our reported segments resulting from the application of new financial criteria to reflect our current reporting structure.

This change in our reported segments aimed to: (i) increase transparency in the Corporate Centre segment; (ii) facilitate the analysis of all business units; and (iii) highlight the activity carried out by the Corporate Centre segment. The consolidated figures for the Group are unaffected.

The main changes were the following:

- (a) Change of criteria: the change in segments mainly affected the income statement line items of net interest income, gains on financial transactions and operating expenses, due to decrease in the Corporate Centre segment and its allocation to the business units. The main changes were as follows:

<u>Previous criteria</u>	<u>New criteria</u>

⁶ Including customer deposits, marketable debt securities, subordinated liabilities and other customer funds under management.

<u>Previous criteria</u>	<u>New criteria</u>
The Spain business unit was treated as a retail network, thus individualised internal transfer rates ("ITR")* by operation were applied to calculate the financial margin, and the balance sheet was matched in terms of interest rate risk. The counterparty of these results was the Corporate Centre segment.	The Spain business unit is treated like the other units of the Group. All results from financial management of the balance sheet are recorded in Spain, including the results from interest rate risk management.
The cost of issuances eligible as additional Tier 1 capital (AT1) made by Brazil and Mexico to replace common equity tier 1 (CET1) was recorded in the Corporate Centre segment, as the issuances were made for capital optimisation in these units.	Each country recognises the cost related to its AT1 issuances.
The Corporate Centre segment costs were charged to the countries/units; this criterion has not changed in recent years.	The scope of costs allocated to the units from the Corporate Centre segment is expanded.

* ITR is a mechanism designed to help manage interest rate and liquidity risks, by isolating them from the business areas and centralising them into the Financial Management Area in the Corporate Centre. The main function of a transfer rate system is to set the price of the fund exchanges between business areas and the Corporate Centre. This price represents the true opportunity cost of the funds (raised or invested) and has to take into account the costs of all associated interest rate and liquidity risks. Whether it is a fund investment or a fund raising transaction, the different business areas obtain a spread over or under the current transfer rate, and that spread is used to analyse the results of these business areas.

- (b) Creation of a new business segment Real Estate Operations in Spain, which combines the former "Spain's Run-Off Real Estate" business segment and other real estate assets, such as our subsidiary Metrovacesa, the assets from our old real estate fund (Santander Banif Inmobiliario) and others, previously included in the Corporate Centre segment.
- (c) The United States geographic segment is modified such that it continues to include the businesses of Santander Holdings USA ("SHUSA"), Santander Bank and Santander Consumer USA Holding Inc. ("SCUSA"), and the commercial banking activity of Banco Santander Puerto Rico and in addition includes Banco Santander International, Santander Investment Securities Inc. and the Bank's New York branch, units that were previously included in Latin America.
- (d) The business of Private Banking, Asset Management and Insurance, which previously appeared as an independent global business, is now integrated into Retail Banking.

Other changes: Annual change in the scope of the customer global relationship model between commercial banking and global banking and markets. This change does not have any effect on the geographical segments.

The financial statements of each business area have been drawn up by aggregating the Group's basic operating units. The information relates to both the accounting data of the companies in each area as well as that provided by the management information systems. In all cases, the same general principles as those used in the Group are applied.

In accordance with the criteria established by IFRS-EU, the structure of our operating business areas has been segmented into two levels:

First (or geographic) level.

The activity of our operating units is segmented by geographical areas. This coincides with our first level of management and reflects our positioning in the world's main currency areas.

The reported segments are:

- Continental Europe. This covers all retail banking business and corporate banking in this region. This segment includes the following units: Spain, Portugal, Poland, Santander Consumer Finance (which includes the consumer business in Europe, including that of Spain, Portugal and Poland) and Real Estate Operations in Spain.
- United Kingdom. This includes retail and corporate banking conducted by the various units and branches of the Group in the country.
- Latin America. This embraces all the Group's financial activities conducted via its subsidiary banks and subsidiaries. It also includes the specialised units of Santander Private Banking, as an independent and globally managed unit.
- United States. This includes the holding entity ("**SHUSA**"), Santander Bank, National Association, Banco Santander Puerto Rico, Santander Consumer USA Inc., Banco Santander International ("**BSI**"), Santander Investment Securities Inc. and the Santander branch in New York.

Second (or business) level.

This segments the activity of our operating units by type of business. The reported segments are:

- Retail Banking. This area covers all customer banking businesses (except those of Corporate Banking, managed through the Global Customer Relationship Model). Also included in this business area are the results of the hedging positions taken in each country within the scope of the relevant local asset liability committees ("**ALCO**") portfolio.
- Santander Global Corporate Banking. This business reflects the revenues from global corporate banking, investment banking and markets worldwide including all treasuries managed globally, both trading and distribution to customers (after the appropriate distribution with Retail Banking customers), as well as equities business.
- Real Estate Operations in Spain. This business includes loans to customers in Spain whose activity is mainly real estate development, equity stakes in real estate companies and foreclosed assets.

In addition to these operating units, which cover everything by geographic area and business, we continue to maintain a separate Corporate Centre area. This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, as well as management of liquidity and of shareholders' equity through issuances. As the Group's holding entity, the Corporate Centre area manages all capital and reserves and allocations of capital and liquidity. It also incorporates the goodwill's impairment but not the costs related to the Group's central services except for corporate and institutional expenses related to the Group's functioning. Finally, we also include in this area significant Group one-offs.

For purposes of our financial statements (which are incorporated by reference herein at page 94 of this Base Prospectus), and this report on Form 20-F, we have calculated the results of operations of the various units of the Group listed below using these criteria. As a result, the data set forth herein may not coincide with the data published independently by each unit individually.

First level (or geographic):

Continental Europe

Continental Europe includes all activities carried out in this region: Retail Banking and Santander Global Corporate Banking. During 2015, there were four main units within this area: Spain, Portugal, Poland and Santander Consumer Finance. Additionally, this area includes the Real Estate Operations in Spain unit.

Continental Europe is the largest business area of Grupo Santander by assets. At the end of 2015, it accounted for 38% of total managed customer funds, 36% of total loans to customers and 28% of profit attributed to the Parent's total operating areas.

The area had 5,548 branches and 58,049 employees (direct and assigned) of which 3,196 were temporary employees, at the end of 2015.

The eurozone growth as a whole accelerated, but varied from country to country. Spain was one of the countries that expanded the most. Inflation was around 0% in the zone, resulting in the European Central Bank continuing its expansive monetary policy: interest rates at historic lows and quantitative easing.

In 2015, this segment obtained profit attributable to the Parent of €2,218 million, an increase of €571 million or 35% as compared to 2014, mainly due to improved interest income/(charges) (which increased by €489 million) and to the decrease of €892 million in impairment losses on financial assets.

Spain

At the end of 2015, we have a solid retail presence in Spain (3,467 branches) which is reinforced with global businesses in key products and segments (corporate banking, private banking, asset management, insurance and cards). We had a total of 24,216 employees (direct and assigned), all of which were hired on a full time basis.

In order to consolidate the Group's leadership in Spain and increase profitability and efficiency, Santander merged its two large retail networks (Santander and Banesto) and its private bank (Banif) in 2013. See "History and development of the guarantor – Principal Capital Expenditures and Divestitures – Acquisitions, Dispositions, Reorganisations".

The integration was completed in July 2014, ahead of schedule. All private banking clients were incorporated to Banif's specialised customer attention model. We took advantage of the integration to optimise segmentation and specialisation of branches, with a particular emphasis on private banking, select and company banking, and increasing coverage in specialised portfolios to almost 100%.

In 2015 Spain grew by around 3.2% with a well-diversified base that made it possible to bring the unemployment rate down to around 21% by the end of the year. In addition, progress was made in correcting the imbalance in the public accounts while at the same time maintaining the foreign trade surplus. Energy prices kept inflation rates negative for a large part of the year, although the underlying rate remained positive.

Against this background, activity in Spain is well placed to accelerate its growth and build long-term relationships with its customers, in addition to boosting its business with SMEs and businesses, and maintaining its lead in big companies.

In 2015, profit attributable to the Parent in Spain was €977 million, a €150 million or 18% increase as compared to 2014.

Total income decreased by €556 million or 8% in 2015 in an environment of interest rates at historic lows and strong competition in loans (interest income/(charges) fell 5% compared to 2014) and a regulatory environment that hits net fees and commissions income (-6% compared to 2014). Gains/losses on financial assets and liabilities decreased by €250 million or 24% due to lower results in financial activity, while other operating income/(expenses) decreased by €53 million mainly due to the charges to the Deposit Guarantee Fund and Resolution Fund.

There was a €63 million or 2% reduction in operating expenses as a result of the synergies achieved through the optimisation plans introduced. Loan losses provisions were €754 million or 43% lower than 2014 with the continuing process of normalisation in a more favourable economic cycle.

In 2015, Spain's loans and advances to customers decreased by 1%, customer deposits decreased by 2% and other customer funds under management increased by 4%.

Portugal

Our main Portuguese retail and investment banking operations are conducted by Banco Santander Totta, S.A. ("**Santander Totta**").

On 21 December 2015, the Bank of Portugal selected Santander Totta to acquire most of the assets and liabilities of Banco Internacional do Funchal (Banif) for €150 million. With this transaction, which evidences the commitment to the economic development of Portugal, Santander became the second private bank in the country with a market share in loans and deposits of over 14%.

At the end of 2015, Portugal had 752 branches and 6,568 employees (direct and assigned), of which 62 employees were temporary.

The Portuguese economy continued to recover in 2015. The growth of gross domestic product ("**GDP**") accelerated to a rate of 1.5% compared with 0.9% in 2014. The recovery benefited from the ECB's expansive monetary policy and the positive effect it had on spreads and the euro exchange rate. The country's economic fundamentals continued to improve, the rate of unemployment fell for the last three years and the current account balance remained positive.

In 2015, the strategy was very focused on managing interest rates for loans and deposits, gaining market share, particularly in companies, controlling non-performing loans and improving efficiency.

In 2015, profit attributable to the Parent was €300 million, a €116 million or 63% increase from 2014. There was a growth of €60 million or 6% in total income, with an increase of €9 million in interest income/(charges) due to the improvement in the cost of funding, and in gains/losses on financial assets and liabilities with an increase of €77 million mainly due to sales of government debt securities.

In 2015, operating expenses fell €3 million or 1% due to the optimisation of the commercial network in line with the business environment.

In 2015, loan losses provisions were down by €52 million or 42% due to the decrease in net additions to delinquent balances.

In 2015, loans and advances to customers and customer deposits increased by 22% and 21% respectively, due to the acquisition of Banif. Excluding Banif, lending's declining trend slowed in 2015 (-1% compared to -5% in 2014) and growth in loans to companies rose (+5%) compared to a fall in the market. Funds increased 5%, under the strategy of boosting demand deposits (+37%) and mutual funds (+18%), while time deposits fell 7%. The result was a further improvement in the cost of deposits.

Poland

At the end of 2015, Poland had 723 branches and 11,474 employees (direct and assigned), of which 1,269 employees were temporary.

The Polish economy grew strongly in 2015 (3.6%) with inflation at -1% well below the target of 2.5% set by the National Bank of Poland, which lowered the reference rates to 1.5% in March 2015. Noteworthy as the most positive factor was the significant improvement in the labour market, with steady creation of jobs and a substantial fall in unemployment to the lowest rate since 2008.

In 2015, profit attributable to the Parent was €300 million, €55 million or 15% lower than in 2014. Total income decreased by €99 million or 7% for the following reasons: (i) interest income/(charges) decreased by €52 million impacted by the fall in interest rates which particularly affected the consumer finance rates due to the ceiling set by the Lombard rate, (ii) fees and commissions decreased by €13 million due to increased regulation mainly affecting the card business and (iii) other operating income/(expenses) decreased by €80 million due to the one-time charge to the Deposit Guarantee Fund as a result of the failure of SK Wołomin Bank.

Furthermore, operating expenses increased by €9 million or 2% as compared to 2014 while loan losses provisions were down by €18 million or 10% despite the increase in lending.

Loans and advances to customers and customer deposits increased by 12% and 7% respectively as compared to 2014, however the other customer funds under management decreased 9% compared with 2014.

Santander Consumer Finance

Our consumer financing activities are conducted through our subsidiary Santander Consumer Finance ("SCF") and its group of companies. Most of the activity of SCF relates to auto financing, personal loans, credit cards, insurance and customer deposits. These consumer financing activities are mainly focused on Germany, Spain, Italy, Norway, Poland, Finland and Sweden. SCF also conducts business in the UK, France, Portugal, Austria and the Netherlands, among others.

The main European markets where business is conducted grew at between 1.7% and 3.5% in 2015.

In 2015 the management focuses were: (i) the integration of the GE Nordics businesses, (ii) the implementation of the agreements with PSA, and (iii) promoting new lending and cross-selling tailored to the situation in each market, supported by brand agreements.

The following agreements were entered into in 2014 and strengthen SCF's position in its markets: (i) the agreement with Banque PSA Finance (PSA Peugeot Citroën Group); (ii) the acquisition in Spain of 51% of Financiera El Corte Inglés; and (iii) the acquisition of GE Nordics (GE Money's business in Norway, Sweden and Denmark). See "History and development of the guarantor – Principal Capital Expenditures and Divestitures – Acquisitions, Dispositions, Reorganisations".

At the end of 2015, this unit had 588 branches and 14,533 employees (direct and assigned), of which 1,189 employees were temporary.

The Santander Consumer Finance units in Continental Europe operated in an environment of incipient recovery of both consumer spending and vehicle registrations (+9% year on year in the countries in which they operate). In 2015, SCF continued to gain market share, supported by a business model that has been strengthened during the crisis thanks to a high level of geographical diversification with critical mass in key projects, high levels of efficiency, and a shared risk control and recovery system that makes it possible to maintain a high level of credit quality.

In 2015, this unit generated €938 million in profit attributable to the Parent, a €143 million or 18% increase compared with 2014. This growth benefited from the impact of the previously mentioned agreements, with total income growing faster than operating expenses and Impairment losses on financial assets. Total income rose €742 million or 23% (interest income/charges increased €728 million or 31%), while operating expenses grew €306 million or 21%. Loan losses provisions declined €7 million or 1%, due to improved credit quality. Minority interests increased by €99 million resulting from the PSA agreements.

Loans and advances to customers increased by 22% and customer deposits increased by 6%.

Real Estate Operations in Spain

The segment, which has a specialised management model, combines: (i) the run-off real estate activity in Spain, which includes loans to customers mainly for real estate promotion, where our strategy focuses on a significant reduction of our exposure; (ii) quality real estate operating assets (mainly from our old real estate fund, Santander Banif Inmobiliario); (iii) our subsidiary Metrovacesa; and (iv) certain other assets such as our stake in Spanish Bank Restructuring Asset Management Company, or Sareb (see note 8.b.ii to our consolidated financial statements). As of the end of 2014, the stake in Metrovacesa was consolidated by global integration. See "History and development of the guarantor – Principal Capital Expenditures and Divestitures – Acquisitions, Dispositions, Reorganisations – Metrovacesa, S.A.".

The Group's strategy in recent years has been directed at reducing these assets, mainly loans and foreclosed assets. Net loans totalled €2,794 million, which was 33% less than in 2014 and accounted for 0.4% of the Group's loans and less than 2% of those of Santander Spain.

In 2015, this segment had €420 million of losses attributable to the Parent, a €232 million decrease in losses as compared to 2014, mainly due to the lower need for write-downs.

United Kingdom

As of 31 December 2015, the United Kingdom accounted for 31% of the total managed customer funds of the Group's operating areas. Furthermore, it accounted for 36% of total loans to customers and 24% of profit attributed to the Parent's total operating areas.

At the end of 2015, we had 858 branches and a total of 25,866 employees (direct and assigned), of which 661 employees were temporary, in the United Kingdom.

The UK economy continued to grow at 2.2%, registering another year of steady growth. The main driver was domestic demand (particularly private consumption, robust labour market, improved consumer confidence and favourable financial conditions) and a recovery in investment. The unemployment rate fell in the year to 5.2%, in part due to a large increase in self-employment. This pushed the number of people in employment to a record high. Inflation was around 0%, mainly due to lower oil and commodity prices and the consolidation of sterling's appreciation registered since mid-2013. Based on this, the Bank of England kept interest rates unchanged in 2015.

There have been significant changes recently, in terms of regulation, tax and public policy as well as a significant advance in the use of technology in banking, especially mobile. Additionally, there is the impact of the new entrants and existing competitors who have renewed focus on the UK market opportunities. The strategic direction has been fine-tuned to align with the economic, regulatory and market environment changes. Based on the new scenario we have focused on the customer loyalty, on increasing the flows in retail and corporate segments and on-going investment in business growth and in digital channels.

In 2015, Santander UK contributed €1,971 million of profit attributable to the Parent, a €415 million or 27% (14% in local currency) increase from 2014. The main developments were (i) a €708 million or 17% (5% in local currency) increase in interest income/(charges) mainly due to higher volumes, (ii) a €302 million or 10% (-1% in local currency) increase in operating expenses due to investment in business growth, higher regulatory costs and the continued enhancements to our digital channels and (iii) a €225 million or 68% (71% local currency) decrease in impairment losses on financial assets with improved credit quality across the loan portfolios, conservative loan-to-value criteria, and supported by a favourable economic environment.

As of 31 December 2015, loans and advances to customers increased by 13% (6% excluding the exchange rate impact), and customer deposits increased 15% (8% excluding the exchange rate impact). Other customer funds under management were flat as compared to 2014

Latin America

At 31 December 2015, we had 5,841 branches and 89,819 employees (direct and assigned) in Latin America, of which 1,794 were temporary employees. At that date, Latin America accounted for 22% of the total managed customer funds, 17% of total loans to customers and 40% of profit attributed to the Parent's total operating areas.

In a complex international environment, the Latin American economy was affected in 2015 by various external factors such as the outlook for U.S. interest rate rises, the price of commodities and the slowing of the Chinese economy.

Our Latin American banking business is principally conducted by the following banking subsidiaries:

	Percentage held at 31 December 2015		Percentage held at 31 December 2015
Banco Santander (Brazil), S.A.	89.25	Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Chile	67.12	Banco Santander Perú, S.A.	100.00

	Percentage held at 31 December 2015		Percentage held at 31 December 2015
Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	75.07	Banco Santander Río, S.A. (Argentina)	99.30
Banco Santander de Negocios Colombia S.A.	99.99		

We engage in a full range of retail banking activities in Latin America, although the range of our activities varies from country to country. We seek to take advantage of whatever particular business opportunities local conditions present.

Our significant position in Latin America is attributable to our financial strength, high degree of diversification (by countries, businesses, products, etc.), and the breadth and depth of our franchise. Grupo Santander has the region's largest international franchise.

In Latin America the regional GDP shrank 0.4% in 2015 after the growth of 1.2% in 2014, in a complex international environment faced with the prospect of a rise in interest rates in the United States, the downturn of international trade and the lower growth in China. There was a very different performance country by country, with some in recession and others showing a gradual recovery. There was a slight upturn in inflation, mainly as a result of the effects of the depreciation of the Latin American currencies.

The Group continued to focus as a priority on strengthening customer relations by improving their experience and increasing their satisfaction. For this purpose, 2015 saw the launch in the principal geographical areas of the "1|2|3 World" range of products that are designed to attract and engage private individual customers, and the Advance programme, the aim of which is to strengthen the Bank's positioning in business customers.

Profit attributable to the Parent from Latin America in 2015 was €3,193 million, a €291 million or 10% increase as compared to 2014 (excluding the exchange rate impact of 17%). Total income increased by €198 million or 1% (excluding the exchange rate impact of 10%) driven by the growth of volumes and transactionality, which impacted both the interest income and the fees and commissions. Operating expenses increased €56 million or 1%, however excluding the exchange rate impact they grew 10% as a result of salary increase agreements in an environment of high inflation in countries such as Brazil, Argentina and Uruguay, dollar-indexed costs, and investments to develop the commercial and digital networks. The growth was moderate as compared to inflation rates. The change in lending mix towards products with a lower risk premium continued in 2015 and impairment losses decreased by 1% as compared to 2014.

As of 31 December 2015, loans and advances to customers decreased by 5%, however excluding the exchange rate impact increased by 14%. Customer deposits decreased by 7% as compared to 2014, nevertheless excluding the exchange rate impact increased by 12%.

Detailed below are the performance highlights of the main Latin American countries in which we operate:

Brazil. Santander Brazil is the country's third largest private sector bank by assets and the largest foreign bank in the country. The institution operates in the main regions, with 3,443 branches and points of banking attention, 49,520 employees (direct and assigned), all of which were hired on a full time basis.

During the first quarter of 2015 Santander Brazil entered into an agreement to acquire Banco Bonsucesso ("**Bonsucesso**") to leverage activities in the payroll business, as well as increase the number of products offered and improve the distribution and marketing capacity.

Brazil went into recession in 2015, with contraction of consumer spending and private investment and rising unemployment. There was an upturn in inflation to over 10%. The central bank reinforced its commitment to control inflation by raising the Selic rate 250 basis points in the year, taking it to 14.25%.

In 2015, the Bank made progress in its process of transformation to simplify, modernise and improve the experience of customers, while agreements were also reached in order to increase the more transactional portion of the Bank's income.

Profit attributable to the Parent from Brazil in 2015 was €1,631 million, a €194 million or 13% (33% excluding the exchange rate impact) increase as compared to 2014. Total income fell €739 million or 6% compared with 2014 (excluding the exchange rate impact increased 10%), mainly due to interest income/(charge).

Operating expenses decreased €491 million or 10% (excluding the exchange rate impact increased 5%). Excluding the inflation and exchange rate impact and on a like-for-like basis, they fell 6%, reflecting the efforts made in previous years to improve efficiency and productivity.

Loan losses provisions declined by €385 million or 10%, however excluding the exchange rate impact they were raised by 5%.

During 2015, total loans and advances to customers decreased by 19%, in local currency increased 8%, mainly due to the forex impact on dollar portfolios and the entry of Bonsucesso. Customer deposits decrease 17% as compared to 2014, excluding the exchange rate impact increased 11%.

Mexico. Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, is one of the leading financial services companies in Mexico. Santander is the third largest banking group in Mexico by business volume. As of 31 December 2015, it had 1,377 branches throughout the country, 17,847 employees (direct and assigned), of which 1,634 were temporary.

Mexico gave clear signs of improvement in the second half of the year driven by the recovery of both domestic demand and exports. Although the inflation rate remained low, the central bank decided to raise the official interest rate in response to the increase by the Federal Reserve, in order to prevent possible outbreaks of volatility given the country's strong commercial and financial connection with the United States.

2015 saw the completion of the branch expansion plan, following the opening of 200 branch offices in the last three years. The increase in installed capacity was accompanied by improvements in customer segmentation and sales platforms.

Profit attributable to the Parent from Mexico in 2015 was €629 million, a €22 million or 4% (3% excluding the exchange rate impact) increase as compared to 2014. The growth of €298 million or 10% in total income was mainly driven by an increase of €313 million in interest income/(charge) due to the higher loans volume.

Operating expenses increased €87 million or 7%, due to the greater installed capacity and new commercial projects to increase attraction and penetration in the customer base.

Loan losses provisions increased by €120 million or 16% due to greater lending volume.

As of 13 December 2015, loans and advances to customers increased by 17% (23% excluding the exchange rate impact), and customer deposits decreased by 1% (5% increase excluding the exchange rate impact). Other customer funds under management were flat as compared to 2014.

Chile. Banco Santander Chile is the leading bank in Chile in terms of assets and customers, with a particular focus on retail activity (individuals and SMEs). As of 31 December 2015, Banco Santander Chile had 472 branches and 12,454 employees (direct and assigned), all of which were hired on a full time basis.

The Chilean economy recovered in 2015 as a result of the expansion of investment and private consumer spending, which led the central bank to begin to normalise its monetary policy by raising the official interest rate 50 basis points to 3.50%.

In 2015 more branches and exclusive select spaces for high-income customers were opened, as well as the new model of branch offices in the traditional network. The Group continued to pursue its strategy of increasing long-term profitability in a climate of smaller margins and greater regulation.

Profit attributable to the Parent from Chile in 2015 was €455 million, a €43 million or 9% (13% excluding the exchange rate impact) decrease as compared to 2014, mainly due to lower inflation-indexed Unidad de Formento ("UF"), some regulatory impact, higher technology costs and higher tax pressure.

In 2015, customer loans increased 6% (11% in local currency) and customer deposits increased 4% (9% in local currency) as compared to 2014. Other customer funds under management increased 2% as compared to 2014.

Argentina. Santander Río is the country's leading private sector bank in terms of assets, loans and customer funds. At 31 December 2015, we had 436 branches and 7,952 employees in Argentina.

Argentina ended the year 2015 with an economy that was still weak and inflation that was among the highest in the region. In mid-December the new government announced the liberalisation of capital movements and the exchange rate of the Argentine peso began to float freely.

The Group's strategy in 2015 focused on increasing its penetration through its branch office expansion plan, the transformation towards a digital bank with the focus on efficiency and customer experience, and the engagement of the customer segments of high-income private individuals and SMEs.

Profit attributable to the Parent was €378 million, a 29% (22% in local currency) increase compared with 2014. The commercial strategy helped to push up total income by 34%, mainly due to the increase of interest income/(charge) by 35% and fees and commissions by 46%. Operating expenses rose 51% (43% in local currency) because of the opening of new branches, the transformation and technology projects and the review of the salary increase agreement. Loan loss provisions increased 22% (16% in local currency), below the growth in lending.

During the year, lending and customer deposits increased 10% and 15%, respectively. Nevertheless, in local currency lending rose by 52%, focused on lending to SMEs and companies and deposits increased by 58%. Mutual funds grew by 26% during 2015 (73% in local currency).

Uruguay. The Group maintained its leadership in Uruguay. We are the largest private sector bank in the country. Overall, the Group had 111 branches and 1,808 employees.

Inflation was 9.4%, well above the central bank's target of (+3% to 7%). The key rate remained high in order to converge toward this goal. The Uruguayan peso depreciated 20% against the dollar and 10% against the euro.

The Group continued to be the country's leading private sector bank, focusing on growing in retail banking and improving efficiency and the quality of service.

Profit attributable to the Parent from Uruguay in 2015 was €70 million, a €20 million or 41% (38% in local currency) increase as compared to 2014. Lending increased by 8%, with particular growth in individual customers and SMEs, and deposits rose by 19%, in each case compared with 2014.

Peru. As of 31 December 2015, Banco Santander Perú, S.A. had one branch and 156 employees. The unit's activity is focused on companies and on the Group's global customers. An auto finance company began to operate in 2013, together with a well-known international partner with considerable experience in Latin America. The company has a specialised business model, focused on service and with products that enable customers to acquire any brand of new car from any dealer in Peru.

Profit attributable to the Parent from Peru reached €32 million, a €10 million or 46% increase compared with 2014.

Colombia. Banco Santander de Negocios Colombia S.A. began operating in January 2014. The bank targets the corporate and business markets, with a special focus on global customers and local customers aiming to expand to gain international presence.

Colombia had a €1 million loss attributable to the Parent.

United States

At the end of 2015, we had 783 branches and a total of 18,123 employees (direct and assigned), none of them temporary.

The U.S. economy grew at a modest but solid pace (2.5%). Thanks to the improving economy, the unemployment rate fell on a sustained basis to 5% at the end of the year, a level regarded as full employment. Inflation, however, remained low (1.3%) and at some distance from the Federal Reserve's target (set in terms of the underlying deflator of private consumption), which is 2%. In this context, the Fed raised its interest rates at the end of the year, accompanied by a message indicating the interest rate profile outlook would be moderate.

The U.S. segment includes the holding entity ("**SHUSA**"), Santander Bank, National Association, Banco Santander Puerto Rico, Santander Consumer USA Inc., Banco Santander International ("**BSI**"), Santander Investment Securities Inc. and the Santander branch in New York.

Santander US continues to focus on several strategic priorities directed at enhancing its position and diversification, including: the implementation of a multi-year project to comply with regulatory requirements globally, the improvement of the governance structure, the setting up of a local managerial team with wide experience in the management of large financial companies, the improvement of profitability at Santander Bank, National Association, and the optimisation of the vehicle finance business at SCUSA.

The U.S. segment accounted for 9% of the total managed customer funds, 11% of total loans to customers and 8% of profit attributed to the Parent's total operating areas.

Profit attributable to the Parent decreased €184 million or €352 without exchange rates. Despite the increase in total income of €1,821 million or 30% (9% in local currency). Profit attributable to the Parent was lower due to higher operating expenses by €786 million or 35% (13% excluding the exchange rate impact) and higher impairment losses of €858 million or 38% (16% in local currency) relating to greater lending in SCUSA, and income taxes.

Second or business level:

Retail Banking

Retail Banking's profit attributable to the Parent in 2015 increased 14% (10% excluding the exchange rate impact), to €6,854 million. This evolution was spurred by the good performance of total income which grew 7% (+6% excluding the exchange rate impact). Operating expenses were 7% higher (+1% excluding perimeter and in real terms) and loan loss provisions were 5% lower.

In 2015, Retail Banking generated 88% of the operating areas' total income and 85% of profit attributable to the Parent. This segment had 183,182 employees as of 31 December 2015.

In 2015 Santander continued to make progress with its programme for transforming commercial banking focusing on the following:

- In order to gain greater knowledge of customers, progress is being made in improving the analytical capabilities. A new commercial front has been developed for the branch offices in order to improve commercial productivity and customer satisfaction.
- In order to increase customer engagement and long-term relations, progress was made in 2015 in the launching and consolidation of differential value offerings. These included most

notably (i) the "1|2|3 World" strategy (with the launch of proposals in other geographical regions such as Portugal, Spain and certain Latin America countries, after the success in the United Kingdom), (ii) integral offers launched in Chile with proposals which reward transactionality and increase customer benefits, (iii) the expansion of the Select value offering for high-income customers which is now available throughout the geographical regions, and (iv) the roll-out of the programme for SMEs that combines a very attractive financial offering with non-financial solutions and that is now available in eight countries.

- The Bank made further progress with the development of its distribution models focused on digital channels, resulting in substantial improvements to the different channels, most notably with new apps, developments and functionalities for mobile phones in the various geographical areas and the new model of branch office in Spain and Brazil, which offers simpler procedures, more intuitive technology and differentiated areas within the branch.
- The Bank supports the internationalisation of its business customers by harnessing the synergies and international capabilities of the Group, thereby ensuring consistent and uniform customer relations throughout all the local units and enabling our customers to connect with each other and capture international trade flows with the Santander Trade Portal and the Santander Trade Club.

Santander Global Corporate Banking

This area covers our corporate banking, treasury and investment banking activities throughout the world.

Global Corporate Banking generated 12% of total income and 20% of the profit attributable to the Parent in 2015. This segment had 8,037 employees at 31 December 2015.

Profit attributable to the Parent in 2015 was €1,626 million, an increase of €1 million as compared to 2014. This performance was impacted by an increase in interest income/(charges) (€349 million or 14%) offset by an increase in operating expenses (€218 million or 12%) and in impairment losses (€130 million or 22%).

Global Corporate Banking has three major areas: (i) Global Transaction Banking (which includes cash management, trade finance and basic financing and custody), (ii) Financing Solutions and Advisory (which includes the units that originate and distribute corporate loans or structured financing, the teams that originate bonds and securitisation, the corporate finance units (mergers and acquisitions, primary equity markets, investment solutions for corporate clients via derivatives), as well as asset and capital structuring), and (iii) Global Markets (which include the sale and distribution of fixed income and equity derivatives, interest rates and inflation, the trading and hedging of exchange rates, short-term money markets for the Group's corporate and retail clients, management of books associated with distribution, brokerage of equities, and derivatives for investment and hedging solutions).

Real Estate Operations in Spain

See above under "*First level (or geographic) – Continental Europe - Real Estate Operations in Spain*".

Corporate Centre

Loss attributable to the Parent increased by €943 million as the increase in interest income/(charges) and the decrease in provisions (net) was compensated by the decrease in gains from centralised management of risks and to a greater extent the drop in gains/(losses) on other assets (net), as compared to 2014. At the end of 2015 this area had 2,006 employees.

The Corporate Centre is responsible for, on the one hand, a series of centralised activities to manage the structural risks of the Group and of the Parent. It executes the necessary activities for managing interest rates, exposure to exchange-rate movements and the required levels of liquidity in the Group. On the other hand, it acts as the Group's holding entity, managing the Group's global capital as well as that of each of the business units.

Within corporate activities, the financial management area conducts the global functions of balance sheet management, both structural interest rate and liquidity risk management (the latter via issuances and securitisations), as well as the structural position of exchange rates:

- Interest rate risk is actively managed by taking market positions to soften the impact of interest rate changes on net interest income, and is done via bonds and derivatives of high credit quality and liquidity and low consumption of capital.
- The objective of structural liquidity management is to finance the Group's recurring activity in optimum conditions of maturity and cost, maintaining an appropriate profile (in volumes and maturities) by diversifying the funding sources.
- Management of the exposure to exchange rate movements is also carried out on a centralised basis. This management (which is dynamic) is conducted through exchange-rate derivatives, seeking to optimise at all times the financial cost of hedging.

Hedging of net investments in the capital of businesses abroad aims to neutralise the impact on capital of converting into euros the balances of our material subsidiaries that are consolidated and whose currency is not the euro.

The Group's policy seeks to mitigate the impact, which, in situations of high volatility in the markets, sudden changes in interest rates would have on these exposures of a permanent nature. At the end of 2015, we had €20,349 million hedged relating to our investments in Brazil, the UK, Mexico, Chile, the U.S., Poland and Norway and the instruments used were spot and foreign exchange forwards.

Exposures of a temporary nature – those regarding results that the Group's units will contribute in the next 12 months in non-euro currencies – are also managed on a centralised basis in order to limit their volatility in euros.

Meanwhile, and separately from the financial management described here, the Corporate Centre manages all capital and reserves and allocations of capital to each of the units, as well as providing the liquidity that some of the business units might need. The price at which these transactions are carried out is the market rate (Euribor or swap) plus a risk premium associated with the hold of the funds during the life of the transaction, which, in terms of liquidity, the Group supports.

Lastly, and marginally, the equity stakes of a financial nature that the Group takes within its policy of optimising investments are reflected in the Corporate Centre.

The condensed balance sheet and income statements of the various geographical segments are as follows:

(Condensed) balance sheet	Millions of euro						
	2015						
	Continental Europe	United Kingdom	Latin America	United States	Corporate centre	Intra-Group eliminations	Total
Total Assets	538,645	383,155	267,885	130,584	148,134	(128,143)	1,340,260
Loans and advances to customers	287,252	282,673	133,139	84,190	3,594	-	790,848
Financial assets held for trading (excluding loans and advances)	60,151	40,138	33,669	2,299	2,656	-	138,913
Available-for-sale financial assets	60,913	12,279	25,926	19,145	3,773	-	122,036
Credit institutions	81,867	15,459	21,923	3,902	6,781	(50,980)	78,952
Non-current assets (*)	11,798	3,025	3,522	9,156	289	-	27,790
Other asset accounts	36,664	29,581	49,706	11,892	131,041	(77,163)	181,721
Total Liabilities and Equity	538,645	383,155	267,885	130,584	148,134	(128,143)	1,340,260
Customer deposits	263,462	231,947	122,413	60,115	5,185	-	683,122
Marketable debt securities	50,934	70,133	33,172	23,000	27,790	-	205,029
Subordinated liabilities	169	4,127	6,356	905	9,596	-	21,153
Liabilities under insurance contracts	626	-	1	-	-	-	627
Deposits from central banks and credit institutions	132,688	23,610	42,393	26,170	1,490	(50,980)	175,371
Other accounts (**)	58,253	36,162	43,872	9,073	18,012	-	165,372
Share capital, reserves, profit for the year and valuation adjustments	32,513	17,176	19,678	11,321	86,061	(77,163)	89,586
Other Customer Funds under Management	64,433	9,703	59,065	7,540	-	-	140,741
Investment funds	44,393	9,564	54,426	645	-	-	109,028
Pension funds	11,376	-	-	-	-	-	11,376
Assets under management	8,664	139	4,639	6,895	-	-	20,337
Customer Funds under Management (***)	378,998	315,910	221,006	91,560	42,571	-	1,050,045

(*) Including Tangible assets and Other intangible assets.

(**) Including, in addition to liability items not broken down, the balances of Non-controlling interests.

(***) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

The corporate centre segment acts as the Group's holding company. Therefore, it manages all equity (share capital and reserves of all the units) and determines the allocation thereof to each unit. The Group's share capital and reserves are initially assigned to this segment, and is then allocated in accordance with corporate policies to the business units. This allocation is shown as an asset of the corporate centre segment (included in other asset accounts) and as a liability of each business unit (included in Share capital, reserves, profit for the year and valuation adjustments). Therefore, the allocation is reflected in the balance sheet net of adjustments for intra-Group eliminations in order not to duplicate the balances and obtain the total consolidated balance sheet for the Group.

(Condensed) balance sheet	Millions of euro						
	2014						
	Continental Europe	United Kingdom	Latin America	United States	Corporate centre	Intra-Group eliminations	Total
Total assets	496,598	354,235	268,488	108,034	141,375	(102,434)	1,266,296
Loans and advances to customers	268,735	251,191	139,955	70,420	4,410	-	734,711
Financial assets held for trading (excluding loans and advances)	65,863	39,360	31,766	5,043	2,120	-	144,152
Available-for-sale financial assets	56,845	11,196	31,174	12,737	3,298	-	115,250
Loans and advances to credit institutions	66,602	14,093	22,104	3,460	2,858	(27,404)	81,713
Non-current assets (*)	11,796	2,700	3,912	6,905	796	-	26,109
Other asset accounts	26,757	35,695	39,577	9,469	127,893	(75,030)	164,361
Total liabilities and equity	496,598	354,235	268,488	108,034	141,375	(102,434)	1,266,296
Customer deposits	256,909	202,328	131,826	51,304	5,260	-	647,627
Marketable debt securities	54,431	69,581	31,920	16,000	24,957	-	196,889
Subordinated liabilities	409	5,376	6,443	796	4,108	-	17,132
Liabilities under insurance contracts	713	-	-	-	-	-	713
Deposits from central banks and credit institutions	90,305	26,720	35,978	17,760	12,010	(27,404)	155,369
Other accounts (**)	64,305	34,888	39,945	10,542	17,610	-	167,290
Share capital, reserves, profit for the year and valuation adjustments	29,526	15,342	22,376	11,632	77,430	(75,030)	81,276
Other customer funds under management	60,679	9,667	62,488	8,535	-	-	141,369
Investment funds	40,829	9,524	57,548	1,618	-	-	109,519
Pension funds	11,481	-	-	-	-	-	11,481
Assets under management	8,369	143	4,940	6,917	-	-	20,369
Customer funds under management (***)	372,428	286,952	232,677	76,635	34,325	-	1,003,017

(*) Including Tangible assets and Other intangible assets.

(**) Including, in addition to liability items not broken down, the balances of Non-controlling interests.

(***) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

(Condensed) balance sheet	Millions of euro						
	2013						
	Continental Europe	United Kingdom	Latin America	United States	Corporate centre	Intra-Group eliminations	Total
Total assets	430,021	323,743	233,918	68,933	158,230	(99,082)	1,115,763
Loans and advances to customers	267,532	231,046	125,349	43,698	1,231	-	668,856
Financial assets held for trading (excluding loans and advances)	50,320	28,831	20,584	2,638	2,334	-	104,707
Available-for-sale financial assets	37,319	6,003	20,792	9,008	10,677	-	83,799
Loans and advances to credit institutions	37,660	17,136	26,157	2,362	24,564	(32,915)	74,964
Non-current assets (*)	8,635	2,498	3,858	650	973	-	16,614
Other asset accounts	28,555	38,229	37,178	10,577	118,451	(66,167)	166,823
Total liabilities and equity	430,021	323,743	233,918	68,933	158,230	(99,082)	1,115,763
Customer deposits	257,050	187,467	116,652	43,817	2,851	-	607,837
Marketable debt securities	53,409	64,092	28,987	1,146	27,843	-	175,477
Subordinated liabilities	406	5,805	4,812	1,245	3,871	-	16,139
Liabilities under insurance contracts	1,430	-	-	-	-	-	1,430
Deposits from central banks and credit institutions	41,636	26,902	25,039	9,051	39,684	(32,915)	109,397
Other accounts (**)	47,737	27,774	37,995	4,404	16,839	-	134,749
Share capital, reserves, profit for the year and valuation adjustment	28,353	11,703	20,433	9,270	67,142	(66,167)	70,734
Other customer funds under management	51,768	9,645	52,610	11,147	-	-	125,170
Investment funds	33,485	9,645	48,243	1,931	-	-	93,304
Pension funds	10,879	-	-	-	-	-	10,879
Assets under management	7,404	-	4,367	9,216	-	-	20,987
Customer funds under management (***)	362,633	267,009	203,061	57,355	34,565	-	924,623

(*) Including Tangible assets and Other intangible assets.

(**) Including, in addition to liability items not broken down, the balances of Non-controlling interests.

(***) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

(Condensed) income statement	Millions of euro					
	2015					
	Continental Europe	United Kingdom	Latin America	United States	Corporate centre	Total
NET INTEREST INCOME	8,006	4,942	13,752	6,116	(4)	32,812
Income from equity instruments	277	1	57	48	72	455
Share of results of entities accounted for using the equity method	120	10	285	3	(43)	375
Net fee and commission income (expense)	3,417	1,091	4,452	1,086	(13)	10,033
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	1,186	302	517	231	150	2,386
Other operating income (expenses)	(178)	37	(308)	316	(33)	(166)
GROSS INCOME	12,828	6,383	18,755	7,800	129	45,895
Administrative expenses	(6,274)	(3,009)	(7,230)	(2,761)	(28)	(19,302)
Depreciation and amortisation	(461)	(348)	(676)	(264)	(669)	(2,418)
Provisions (net)	(352)	(351)	(831)	(164)	(1,408)	(3,106)
Impairment losses on financial assets	(2,083)	(107)	(5,108)	(3,103)	(251)	(10,652)
PROFIT FROM OPERATIONS	3,658	2,568	4,910	1,508	(2,227)	10,417
Impairment losses on other assets	(172)	(9)	20	-	(931)	(1,092)
Other income and charges	(120)	5	78	16	243	222
PROFIT BEFORE TAX	3,366	2,564	5,008	1,524	(2,915)	9,547
Income tax	(887)	(556)	(1,219)	(517)	966	(2,213)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	2,479	2,008	3,789	1,007	(1,949)	7,334
Loss from discontinued operations (net)	-	-	-	-	-	-
CONSOLIDATED PROFIT FOR THE YEAR	2,479	2,008	3,789	1,007	(1,949)	7,334
Attributable to non-controlling interests	261	37	596	329	145	1,368
PROFIT ATTRIBUTABLE TO THE PARENT	2,218	1,971	3,193	678	(2,094)	5,966

(Condensed) income statement	Millions of euro											
	2014						2013					
	Continental Europe	United Kingdom	Latin America	United States	Corporate Centre	Total	Continental Europe	United Kingdom	Latin America	United States	Corporate Centre	Total
NET INTEREST INCOME	7,517	4,234	13,620	4,789	(613)	29,547	7,189	3,451	14,808	1,807	(1,320)	25,935
Income from equity instruments	286	1	88	29	31	435	265	1	54	24	34	378
Share of results of entities accounted for using the equity method	(25)	9	283	4	(28)	243	14	4	264	331	(113)	500
Net fee and commission income (expense)	3,500	1,028	4,372	830	(34)	9,696	3,467	992	4,477	578	247	9,761
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	1,221	241	484	205	699	2,850	1,905	402	982	106	(1)	3,394
Other operating income (expenses)	5	28	(290)	122	(24)	(159)	(48)	31	(267)	(63)	45	(302)
GROSS INCOME	12,504	5,541	18,557	5,979	31	42,612	12,792	4,881	20,318	2,783	(1,108)	39,666
Administrative expenses	(5,972)	(2,702)	(7,130)	(2,039)	(56)	(17,899)	(5,991)	(2,318)	(7,497)	(1,481)	(165)	(17,452)
Depreciation and amortisation	(472)	(353)	(720)	(200)	(542)	(2,287)	(522)	(316)	(827)	(149)	(577)	(2,391)
Provisions (net)	(205)	(184)	(946)	(21)	(1,653)	(3,009)	(163)	(231)	(770)	(59)	(1,222)	(2,445)
Impairment losses on financial assets	(2,975)	(332)	(5,145)	(2,233)	(25)	(10,710)	(3,833)	(580)	(6,487)	(43)	(284)	(11,227)
PROFIT FROM OPERATIONS	2,880	1,970	4,616	1,486	(2,245)	8,707	2,283	1,436	4,737	1,051	(3,356)	6,151
Impairment losses on other assets	(156)	-	16	(12)	(786)	(938)	(149)	(4)	(24)	(17)	(309)	(503)
Other income and charges	(238)	3	113	46	2,986	2,910	(372)	-	312	(2)	1,792	1,730
PROFIT BEFORE TAX	2,486	1,973	4,745	1,520	(45)	[10,679]	1,762	1,432	5,025	1,032	(1,873)	7,378
Income tax	(639)	(416)	(1,053)	(439)	(1,171)	(3,718)	(385)	(293)	(1,113)	(164)	(79)	(2,034)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	1,847	1,557	3,692	1,081	(1,216)	[6,961]	1,377	1,139	3,912	868	(1,952)	5,344
Loss from discontinued operations (net)	(26)	-	-	-	-	(26)	(6)	(9)	-	-	-	(15)
CONSOLIDATED PROFIT FOR THE YEAR	1,821	1,557	3,692	1,081	(1,216)	6,935	1,371	1,130	3,912	868	(1,952)	5,329
Attributable to non-controlling interests	174	1	790	219	(65)	1,119	135	1	861	(1)	158	1,154
PROFIT ATTRIBUTABLE TO THE PARENT	1,647	1,556	2,902	862	(1,151)	5,816	1,236	1,129	3,051	869	(2,110)	4,175

Following is the detail of revenue by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognised under Interest and similar income, Income from equity instruments, Fee and commission income, Gains/Losses on financial assets and liabilities (net) and Other operating income in the accompanying consolidated income statements for 2015, 2014 and 2013.

	Revenue (Millions of euro)								
	Revenue from external customers			Inter-segment revenue			Total revenue		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Continental Europe	22,877	21,218	23,106	422	56	1,141	23,299	21,274	24,247
United Kingdom	11,150	9,091	9,612	416	1,204	1,180	11,566	10,295	10,792
Latin America	32,936	35,038	31,930	(776)	(441)	341	32,160	34,597	32,271
United States	9,364	7,791	6,147	157	30	126	9,521	7,821	6,273
Corporate centre	(3,335)	3,656	2,641	6,643	7,323	9,416	3,308	10,979	12,057
Inter-segment revenue adjustments and eliminations	-	-	-	(6,862)	(8,172)	(12,204)	(6,862)	(8,172)	(12,204)
	72,992	76,794	73,436	-	-	-	72,992	76,794	73,436

6.1.2 *An indication of any significant new products and/or activities.*

Marketing of products and services

Policies

As a result of the transformation of the compliance function into its new target operating model ("TOM"), the former reputational risk management office was renamed as the product governance and consumer protection office. Its responsibilities were extended to bolster the adequate control and oversight of product and service marketing risks, to foster transparency and a simple, personal and fair approach to customers in order to protect their rights, and to ensure that policies and procedures take the consumers' perspective into account. For this purpose, the functions listed below were established, based on two corporate frameworks and a set of policies that define the basic principles and rules of action in this area:

- Frameworks:
 - (i) Corporate marketing framework: a uniform system for the marketing of products and services, aimed at minimising exposure to the risks and possible claims arising in all phases of the marketing process (design, sale, post sale).
 - (ii) Claims management framework: a uniform system for the systematised management of the recording, control, management and analysis of the causes of claims, based on their various types; this makes it possible to identify the reasons for customer dissatisfaction, to provide suitable solutions for each case and to improve, where appropriate, the processes that gave rise to the claims.
- Functions:
 - (i) To promote the adherence of the units to the above-mentioned corporate frameworks.
 - (ii) To facilitate the functions of the corporate marketing committee by guaranteeing the proper validation, prior to its launch, of any new product or service proposed by any Group subsidiary or by the Parent.
 - (iii) To safeguard the internal protection of consumers, with the aim of improving their relationships with the Group, by effectively promoting their rights and providing solutions to possible disputes, in accordance with best practices through any channel, as well as by fostering consumers' financial knowledge. All these efforts are geared towards building lasting relationships with customers.

- (iv) To identify, analyse and control the fiduciary risk generated by the private banking, asset management and insurance businesses and the outsourced custody services for customers' financial instruments. Fiduciary risk is considered to be that arising from the management of financial instruments on behalf of customers.
- (v) To compile, analyse and report to the Group's governance bodies, the information required to conduct a proper analysis of product and service marketing risk and of claims, from a two-fold perspective: the possible impact on customers and on the Group, as well as on the monitoring of products and services throughout their life-cycle.
- (vi) To supervise the marketing and claims management processes in place at the subsidiaries, making proposals for improvements and monitoring the mitigating actions taken for the risks detected.

6.2 ***Principal Markets: A brief description of the principal markets in which the Guarantor competes***

This primary level of segmentation, which is based on the Group's management structure, comprises five segments: four operating areas plus the corporate centre. The operating areas, which include all the business activities carried on therein by the Group, are: Continental Europe, the United Kingdom, Latin America and the United States, based on the location of the Group's assets.

The Continental Europe area encompasses all the business activities carried on in the region. The United Kingdom area includes the business activities carried on by the various Group units and branches with a presence in the UK. The Latin America area includes all the financial activities carried on by the Group through its banks and subsidiaries in the region.

The United States area includes the holding company ("SHUSA") and the businesses of Santander Bank, Santander Consumer USA, Banco Santander Puerto Rico, Banco Santander International's specialised unit and the New York branch.

The corporate centre segment includes the centralised management business relating to financial investments, financial management of the structural currency position, within the remit of the Group's corporate asset and liability management committee, and management of liquidity and equity through issues.

The financial information of each operating segment is prepared by aggregating the figures for the Group's various business units. The basic information used for segment reporting comprises the accounting data of the legal units composing each segment and the data available in the management information systems. All segment financial statements have been prepared on a basis consistent with the accounting policies used by the Group.

Consequently, the sum of the various segment income statements is equal to the consolidated income statement. With regard to the balance sheet, due to the required segregation of the various business units (included in a single consolidated balance sheet), the amounts lent and borrowed between the units are shown as increases in the assets and liabilities of each business. These amounts relating to intra-Group liquidity are eliminated and are shown in the Intra-Group eliminations column in the table below in order to reconcile the amounts contributed by each business unit to the consolidated Group's balance sheet.

There are no customers located in areas other than those in which the Group's assets are located that generate income exceeding 10% of total income.

6.3 ***The basis for any statements made by the Guarantor regarding its competitive position.***

Not applicable.

7. **ORGANISATIONAL STRUCTURE**

7.1 ***If the guarantor is part of a group, a brief description of the group and of the guarantor's position within it.***

Banco Santander, S.A. is the parent company of the Group which comprised at 31 December 2015 782 companies that consolidate by the global integration method. In addition, there were 216 companies that were accounted for by the equity method.

The Guarantor is not dependent upon any other entity within the Group.

7.2 ***If the guarantor is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.***

The Guarantor is not dependent upon any other entity in the Group.

8. **TREND INFORMATION**

8.1 ***Include a statement that there has been no material adverse change in the prospects of the guarantor since the date of its last published audited financial statements. In the event that the guarantor is unable to make such a statement, provide details of this material adverse change.***

There has been no material adverse change in the prospects of the Guarantor and its subsidiaries taken as a whole since 31 December 2015.

8.2 ***Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the guarantor's prospects for at least the current financial year.***

The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as other major banks look to increase their market share, combine complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Group expects will increase the overall level of regulation in the markets.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Group or that would cause the disclosed financial information not to be indicative of its future operating results or our financial condition:

Economic and Industry Conditions

- General economic or industry conditions in Spain, the UK, the U.S., other European countries, Brazil, other Latin American countries and the other areas in which we have significant business activities or investments;
- Exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk;
- A worsening of the economic environment in Spain, the UK, other European countries, Brazil, other Latin American countries, and the U.S., and an increase of the volatility in the capital markets;
- The effects of a continued decline in real estate prices, particularly in Spain and the UK;
- Monetary and interest rate policies of the ECB and various central banks;
- Inflation or deflation;
- The effects of non-linear market behaviour that cannot be captured by linear statistical models, such as the VaR model we use;
- Changes in competition and pricing environments;
- The inability to hedge some risks economically;
- The adequacy of loss reserves;

- Acquisitions or restructurings of businesses that may not perform in accordance with our expectations;
- Changes in demographics, consumer spending, investment or saving habits;
- Potential losses associated with prepayment of our loan and investment portfolio, declines in the value of collateral securing our loan portfolio, and counterparty risk; and
- Changes in competition and pricing environments as a result of the progressive adoption of the internet for conducting financial services and/or other factors.

Political and Governmental Factors

- Political stability in Spain, the UK, other European countries, Latin America and the U.S.;
- Changes in Spanish, UK, E.U., Latin American, the U.S. or other jurisdictions' laws, regulations or taxes, including changes in regulatory capital and liquidity requirements; and
- Increased regulation in light of the global financial crisis.

Transaction and Commercial Factors

- Damage to our reputation;
- Our ability to integrate successfully our acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while we integrate these acquisitions; and
- The outcome of our negotiations with business partners and governments.

Operating Factors

- Potential losses associated with an increase in the level of non-performance by counterparties to other types of financial instruments;
- Technical difficulties and/or failure to improve or upgrade our information technology;
- Changes in our ability to access liquidity and funding on acceptable terms, including as a result of changes in our credit spreads or a downgrade in our credit ratings or those of our more significant subsidiaries;
- Our exposure to operational losses (e.g. failed internal or external processes, people and systems);
- Changes in our ability to recruit, retain and develop appropriate senior management and skilled personnel;
- The occurrence of force majeure, such as natural disasters, that impact our operations or impair the asset quality of our loan portfolio; and
- The impact of changes in the composition of our balance sheet on future net interest income.

9. PROFIT FORECASTS OR ESTIMATES

If a guarantor chooses to include a profit forecast or a profit estimate, this Base Prospectus must contain the information items 9.1 and 9.2.

The Guarantor has not included a profit forecast or profit estimate in this Base Prospectus.

- 9.1 ***A statement setting out the principal assumptions upon which the guarantor has based its forecast, or estimate. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions***

about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; be readily understandable by investors; be specific and precise; and not relate to the general accuracy of the estimates underlying the forecast.

Not applicable.

- 9.2 *A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the guarantor.*

Not applicable.

- 9.3 *The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.*

Not applicable.

10. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

- 10.1 *Names, business addresses and functions in the guarantor of the following persons, and an indication of the principal activities performed by them outside the guarantor where these are significant with respect to the guarantor:*

(a) members of the administrative, management or supervisory bodies; and

(b) partners with unlimited liability, in the case of a limited partnership with a share capital.

The Bylaws of the Guarantor (Article 41) provide that the maximum number of Directors is 22 and the minimum number 14.

The Board of Directors of the Guarantor is presently made up of 15 directors.

The following table displays the composition, position and structure of the Board of Directors and its Committees.

For this sole purpose, the business address of each of the persons listed below is: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid.

<i>Board of directors</i>	Executive committee	Audit committee	Appointments committee	Remuneration committee	Risk supervision, regulation and compliance committee	International committee	Innovation and technology committee	Executive	Non-executive	Date of first appointment	Date of re-election
Executive Chairman Ms. Ana Botín-Sanz de Sautuola y O'Shea	C					C	C			04.02.1989	10.06.1991 09.05.1994 12.05.1997 06.03.1999 04.03.2000 21.06.2003 17.06.2006 17.06.2011 28.08.2014

<i>Board of directors</i>	Executive committee	Audit committee	Appointments committee	Remuneration committee	Risk supervision, regulation and compliance committee	International committee	Innovation and technology committee	Executive	Non-executive	Date of first appointment	Date of re-election
Chief executive officer Mr. José Antonio Álvarez Álvarez										25.11.2014	-
Vice-chairman Mr. Bruce Carnegie-Brown			C	C	C				I	25.11.2014	18.03.2016
Vice-chairman Mr. Rodrigo Echenique Gordillo										07.10.1988	30.06.1989 08.06.1992 08.05.1995 23.06.1998 06.03.1999 04.03.2000 21.06.2003 17.06.2006 17.06.2011 28.03.2014
Vice-chairman Mr. Matías Rodríguez Inciarte										07.10.1988	30.06.1989 08.06.1992 08.05.1995 23.06.1998 06.03.1999 04.03.2000 21.06.2003 18.06.2005 19.06.2009 30.03.2012 27.03.2015
Vice-chairman Mr. Guillermo de la Dehesa Romero									E	24.06.2002	18.06.2005 19.06.2009 22.03.2013 27.03.2015
Members											
Mr. Ignacio Benjumea Cabeza de Vaca									E	30.06.2015	
Mr. Javier Botín-Sanz de Sautuola y O'Shea ⁱ									P	25.07.2004	18.06.2005 11.06.2010 22.03.2013 18.03.2016
Mr. Sol Daurella Comadrán ⁱⁱ									I	25.11.2014	18.03.2016

ⁱ Non-executive proprietary director. See detailed information in sections C.1.3 and H of the Annual Corporate Governance Report 2015.

ⁱⁱ Grupo Santander holds risk positions with companies in which the independent director is or has been significant shareholder or director, through various instruments, such as syndicated loans, long-term bilateral loans, bilateral loans for the financing of working capital, leases or guarantee lines.

In the assessment of this director's suitability to perform the duties of independent director, the appointments committee first, and the board of directors subsequently, took into consideration the existence of the financing by Grupo Santander for the benefit of companies where he/she is or was significant shareholder or director and with support concluded that such financing did not constitute a significant business relationship (as defined in the article 529.duodecies.4.e) of the Spanish Capital Corporations Law) for the purpose of this director's classification as independent. Specifically, among the reasons considered by the appointments committee and the board there was that no situation of financial dependence had been created in the respective companies owing to the replaceability of such financing with other sources of bank or non-bank financing, that the business relationship of said companies with Santander Group was in line with

<i>Board of directors</i>	Executive committee	Audit committee	Appointments committee	Remuneration committee	Risk supervision, regulation and compliance committee	International committee	Innovation and technology committee	Executive	Non-executive	Date of first appointment	Date of re-election
Mr. Carlos Fernández González									I	25.11.2014	27.03.2015
Ms. Esther Giménez-Salinas i Colomer									I	30.03.2012	28.03.2014
Mr. Ángel Jado Becerro de Bengoa									I	11.06.2010	22.03.2013 18.03.2016
Ms. Belén Romana García		C							I	22.12.2015	-
Ms. Isabel Tocino Biscarolasaga									I	26.03.2007	11.06.2010 22.03.2013 18.03.2016
Mr. Juan Miguel Villar Mir ⁱⁱ									I	07.05.2013	27.03.2015
General secretary and secretary of the board Mr. Jaime Pérez Renovales ⁱⁱⁱ										01.09.2015	-

C: Chairman of the committee P: Proprietary I: Independent E: External, neither proprietary nor independent

Principal Activities Outside the Guarantor

The current directors of the Guarantor at the date hereof carry out among others the following functions in other companies:

Name or corporate name of Director	Name of listed company	Position
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	External director
Mr. Bruce Neil Carnegie Brown	Moneysupermarket.com Group PLC	Non-Executive Chairman
	Jardine Lloyd Thompson Group plc	External director
Mr. Rodrigo Echenique Gordillo	Industria de Diseño Textil, S.A.	Director

the market share of the Santander Group in the relevant market (which implies that such business relationships are those which would be ordinarily expected for an entity with one of the leaders of the markets in which such entity operates) and that certain established materiality levels were not triggered (e.g. the 2% and 5% of income relative to gross revenues figures set as independence materiality thresholds by the applicable NYSE and Nasdaq regulations; or the indebtedness in excess of 25% of assets figure that is defined as “significant borrowing” under Canada’s Bank Act in order to preclude independence). Spanish regulations do not provide for any specific materiality tests. In addition, the independence status of the director has been confirmed by the relevant supervisory authorities.

At its meeting of 12 February 2016, the board adopted a proposal put forward by the appointments committee at its meeting of 11 February 2016 on the classification of the Bank’s directors, whereby the independent directors may continue to be treated as such as they satisfy the requirements of article 529 duodecies.4 of the Spanish Capital Corporations Law.

ⁱⁱⁱ Not director.

	"INDITEX, S.A."	
Mr. Matías Pedro Rodríguez Inciarte	Sanitas, S.A. de Seguros	Director
	Financiera Ponferrada, S.A., SICAV (FIPONSA)	Director
	U.C.I., S.A.	Chairman
	Unión de Créditos Inmobiliarios, S.A., E.F.C.	Chairman
	Financiera El Corte Inglés E.F.C., S.A	Director
Mr. Guillermo de la Dehesa Romero	Aviva Vida y Pensiones, S.A. de Seguros y Reaseguros	Chairman
	Amadeus IT Holding, S.A.	Vice chairman
Mr. Francisco Javier Botín-Sanz de Sautuola y O'Shea	JB Capital Markets Sociedad de Valores, S.A.	Executive chairman
Ms. Sol Daurella Comadrán	Coca Cola European Partners, Plc	Non-Executive Chairman
	Grupo Cobega	Director
Mr. Carlos Fernández González	Finaccess, S.A.P.I. de C.V.	Chairman
Ms. Esther Giménez-Salinas Colomer	GAWA Capital Partners, S.L	Director
Mr. Ángel Jado Becerro de Bengoa	Cartera Mobiliaria, S.A., SICAV	Director
Ms. Belén Romana	Aviva plc	External director
Ms. Isabel Tocino Biscarolasaga	Enagás, S.A.	Director
	ENCE Energía y Celulosa, S.A.	Director
	Naturhouse Health, S.A.	Director
Mr. Juan Miguel Villar Mir	Grupo Villar Mir, S.A.U.	Chairman and Chief Executive Officer
	Inmobiliaria Colonial, S.A.	Chairman and Chief Executive Officer
	Abertis Infraestructuras, S.A	Representative of the Vicechairman Grupo Villar Mir, S.A.U.

There are no potential conflicts of interests between any duties owed to the Guarantor by the directors and their private interests and/or other duties.

10.2 ***Administrative, management, and supervisory bodies conflicts of interests. Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.***

As provided in the Rules and Regulations of the Board (article 30), directors must inform the board of any direct or indirect conflict of interest with the interests of the Bank in which they may be involved, them or persons related thereto. If the conflict relates to a transaction, the director may not carry it out without the approval of the board, following a report from the audit committee.

The director involved must abstain from participating in the discussion and voting on the transaction to which the conflict refers, the body in charge of resolving any disputes being the board of directors itself.

There were 177 occasions during 2015 in which the directors abstained from participating in and voting on the discussion of matters at the meetings of the board of directors or of its committees.

The breakdown of the 177 cases is as follows: on 56 occasions the abstention was due to proposals to appoint, re-elect or withdraw directors, and to appoint members of the committees of the board or in Group companies; on 92 occasions the matter under consideration related to remuneration or granting loans or credits; on 20 occasions the matter concerned the discussion of financing proposals or other risk transactions in favour of companies related to various directors; on seven occasions the abstention concerned the annual verification of the status of the directors carried out by the appointments committee, pursuant to article 6.3 of the Rules and Regulations of the Board; and on two occasions, the matter was to approve a related-party transactions.

11. BOARD PRACTICES

11.1 ***Details relating to the guarantor's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.***

The Audit Committee was created primarily in order to evaluate the systems in place for information control and accounts oversight, to safeguard the independence of the financial auditor and to review the control and compliance systems of the Guarantor and the Group while 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 five members: Carlos Fernández González, Ángel Jado Becerro de Bengoa, Isabel Tocino Biscarolasaga, Juan Miguel Villar Mir and its chairman Belén Romana García; the secretary (not a member) is Jaime Pérez Renovales (Secretary of the Board)). Members of the Audit Committee are selected by the Board with reference to their knowledge, aptitude and experience in accounting, auditing and risk management matters. The Audit Committee must be chaired by an independent member of the Board who must have knowledge and experience in accounting, auditing and risk management, which is currently Ms. Belén Romana García. All the current members of the committee are external and independent.

11.2 ***[A statement as to whether or not the guarantor complies with its country of incorporation's corporate governance regime(s). In the event that the guarantor does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.***

Banco Santander, S.A. complies with the Spanish corporate governance regime. The Guarantor has included in its annual corporate governance report, which can be found on the website of the *Comisión Nacional del Mercado de Valores* (www.CNMV.es), a detailed explanation of its compliance with the various recommendations on corporate governance.]

12. MAJOR SHAREHOLDERS

12.1 ***To the extent known to the guarantor, state whether the guarantor is directly or indirectly owned or controlled and by whom, and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.***

At 31 December 2015, 0.709% of the Bank's share capital was held by members of the board of directors.

The Bank is not aware of any person which exerts or may exert control over the Bank within the terms of Article 5 of *Real Decreto Legislativo 4/2015, de 23 octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores* (Royal Legislative Decree 4/2015, of 23 October, for the approval of the consolidated text of the Securities Market Law).

The Bank is not aware of any arrangements, the operation of which may, at a date subsequent to that of the date hereof, result in a change in control of the Guarantor.

12.2 ***A description of any arrangements, known to the guarantor, the operation of which may at a subsequent date result in a change in control of the guarantor.***

The Bank is not aware of any arrangements the operation of which may at a date subsequent to that of the date hereof result in a change in control of the Guarantor.

13. **FINANCIAL INFORMATION CONCERNING THE GUARANTOR'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

- 13.1 ***Historical Financial Information:*** Audited historical financial information covering the latest two financial years (or such shorter period that the guarantor has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.

The most recent year's audited historical financial information must be presented and prepared in a form consistent with that which will be adopted in the guarantor's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

If the guarantor has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards where the guarantor is a guarantor from the Community. For third country guarantors, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited. If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:

- (a) the balance sheet;*
- (b) the income statement;*
- (c) in the case of an admission of securities to trading on a regulated market only, a cash flow statement; and*
- (d) the accounting policies and explanatory notes.*

The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of this Base Prospectus, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.

See paragraphs (1) and (2) of section entitled "Documents Incorporated by Reference" above.

- 13.2 ***Financial statements:*** *If the guarantor prepares both own and consolidated financial statements, include at least the consolidated financial statements in this Base Prospectus.*

The Guarantor prepares audited consolidated annual financial statements under the IFRS-EU and non-consolidated annual financial statements under Spanish Generally Accepted Accounting Principles (GAAP), the English translations of the audited consolidated annual financial statements for the years ended 2015 and 2014 are incorporated by reference under paragraph (1) of "Documents Incorporated by Reference".

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2015 and 2014 financial years were audited by the independent audit firm Deloitte, S.L. There are no qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2015 and 2014 financial years.

The Guarantor also prepares condensed consolidated interim financial statements. The unaudited condensed consolidated Income Statement and Balance Sheet of the Guarantor as at and for the three months ended 31 March 2016 have been incorporated by reference under paragraph (2) of "Documents

Incorporated by Reference". Such financial statements were extracted from the internal accounting records of the Guarantor.

13.3 Auditing of historical annual financial information.

13.3.1 A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.

The individual and consolidated annual financial statements of Banco Santander, S.A. for the 2014 and 2015 financial years were audited by the independent audit firm Deloitte, S.L.

There are no qualifications of the auditors in relation to the individual and consolidated 2014 and 2015 annual Financial Statements referred to above.

13.3.2 An indication of other information relating to the guarantor in this Base Prospectus which has been audited by the auditors.

The information contained in "Business Overview" above is not audited and was obtained from the internal accounting records of the Guarantor, save for the summarised balance sheets and income statements of the various geographical segments (principal level) and the summarised income statements and other significant data of the business segments (secondary level), which, with respect to the year 2015, were obtained from the Guarantor's 2015 Annual Report.

13.3.3 Where financial data in this Base Prospectus is not extracted from the guarantor's audited financial statements, state the source of the data and state that the data is unaudited.

The information relating to the Group contained in paragraph 6.2 above is not audited and was obtained from the Guarantor's 2015 Annual Report.

No other information relating to the Guarantor in this Base Prospectus has been audited by Deloitte, S.L.

The date of the most recent audited annual consolidated financial information of the Guarantor is 31 December 2015.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2015 and 31 December 2014 have been filed with the Spanish securities market regulator.

13.4 Age of latest financial information.

13.4.1 The last year of audited financial information may not be older than 18 months from the date of this Base Prospectus.

The date of the most recent annual consolidated audited financial information of the Bank is 31 December 2015.

13.5 Interim and other financial information.

13.5.1 If the guarantor has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in this Base Prospectus. If the quarterly or half yearly financial information has been reviewed or audited, the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed, state that fact.

See paragraph (2) of "Documents Incorporated by Reference" above.

13.5.2 If this Base Prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is unaudited, state that fact.

The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years-end balance sheet.

See paragraph 13.5.1 above.

- 13.6 ***Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the guarantor is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the guarantor and/or group's financial position or profitability, or provide an appropriate negative statement.***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) which may have, or have had in the previous twelve months, significant effects on the Guarantor and/or the Group's financial position or profitability.

The following is a summary of certain legal proceedings affecting the Group: The Guarantor believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these and other legal proceedings and believes that liabilities related to such proceedings should not have a significant effect on the Guarantor and/or the Group's financial position or profitability.

The Guarantor's general policy is to record provisions for tax and legal proceedings in which it assesses the chances of loss to be probable and it does not record provisions when the chances of loss are possible or remote. The Guarantor determines, on a case-by-case basis, amounts to be provided as its best estimate of the expenditure required to settle the corresponding claim based, among others, on the analysis and legal opinion of internal and external counsel or by considering the historical average amount of loss of such category of lawsuits.

Wherever possible the proceedings listed below are quantified. However, in view of the inherent difficulty of predicting the outcome of contentious matters, the Bank is unable sometimes to quantify the potential loss or practical consequences if a judgment were ordered against it and accordingly no specific amount is attributed to such claims.

Tax-related litigation

As of the date of this Base Prospectus, the main tax-related proceedings concerning the Group were as follows:

- Legal actions filed by Banco Santander (Brazil) S.A. and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9% to 15% stipulated by Interim Measure 413/2008, ratified by Law 11,727/2008, a provision having been recognised for the amount of the estimated loss.
- Legal actions filed by certain Group companies in Brazil claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8% and 10% from 1994 to 1998. No provision was recognised in connection with the amount considered to be a contingent liability.
- Legal actions filed by Banco Santander, S.A. (currently Banco Santander (Brazil) S.A.) and other Group entities claiming their right to pay the Brazilian *Programa de Integração Social* ("PIS") and *Contribuição para o Financiamento da Seguridade Social* ("COFINS") social contributions only on the income from the provision of services. In the case of Banco Santander, S.A., the legal action was declared unwarranted and an appeal was filed at the Federal Regional Court. In September 2007, the Federal Regional Court found in favour of Banco Santander, S.A., but the Brazilian authorities appealed against the judgment at the Federal Supreme Court. On 23 April 2015, the Federal Supreme Court issued a decision granting leave for the extraordinary appeal filed by the Brazilian authorities with regard to the PIS contribution to proceed, and dismissing the extraordinary appeal lodged by the Brazilian Public Prosecutor's Office in relation to the COFINS contribution. The Federal Supreme Court has not yet handed down its decision on the PIS contribution and, with regard to the

COFINS contribution, on 28 May 2015, the Federal Supreme Court in plenary session unanimously rejected the extraordinary appeal filed by the Brazilian Public Prosecutor's Office, and the petition for clarification ("embargos de declaração") subsequently filed by the Brazilian Public Prosecutor's Office, which on 3 September admitted that no further appeals may be filed. In the case of Banco ABN AMRO Real, S.A. (currently Banco Santander (Brazil) S.A.), in March 2007, the court found in its favour, but the Brazilian authorities appealed against the judgment at the Federal Regional Court, which handed down a decision partly upholding the appeal in September 2009. Banco Santander (Brazil) S.A. filed an appeal at the Federal Supreme Court. Law 12,865/2013 established a programme of payments or deferrals of certain tax and social security debts, under which any entities that availed themselves of the programme and withdrew the legal actions brought by them were exempted from paying late-payment interest. In November 2013, Banco Santander (Brazil) S.A. partially availed itself of this programme but only with respect to the legal actions brought by the former Banco ABN AMRO Real, S.A. in relation to the period from September 2006 to April 2009, and with respect to other minor actions brought by other entities in its Group. However, the legal actions brought by Banco Santander, S.A. and those of Banco ABN AMRO Real, S.A. relating to the periods prior to September 2006, for which a provision for the estimated loss was recognised, still persist.

- Banco Santander (Brazil), S.A. and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (IRPJ and CSLL) on the ground that the relevant requirements under the applicable legislation were not met. No provision was recognised in connection with the amount considered to be a contingent liability.
- Banco Santander (Brazil), S.A. and other Group companies in Brazil are involved in administrative and legal proceedings against several municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services. No provision was recognised in connection with the amount considered to be a contingent liability.
- In addition, Banco Santander (Brazil), S.A. and other Group companies in Brazil are involved in administrative and legal proceedings against the tax authorities in connection with the taxation for social security purposes of certain items which are not considered to be employee remuneration. No provision was recognised in connection with the amount considered to be a contingent liability.
- In December 2008, the Brazilian tax authorities issued an infringement notice against Banco Santander (Brazil), S.A. in relation to income tax *Imposto de Renda de Pessoa Jurídica* ("IRPJ") and *Contribuição Social sobre o Lucro Líquido das Pessoas Jurídicas* ("CSLL") for 2002 to 2004. The tax authorities took the view that Banco Santander (Brazil), S.A. did not meet the necessary legal requirements to be able to deduct the goodwill arising on the acquisition of Banespa (currently Banco Santander (Brazil), S.A.). Banco Santander (Brazil) S.A. filed an appeal against the infringement notice at Conselho Administrativo de Recursos Fiscais (the Brazilian Tax Appeal Administrative Council, ("CARF")), which on 21 October 2011 unanimously decided to render the infringement notice null and void. The tax authorities appealed against this decision at a higher administrative level. In June 2010, the Brazilian tax authorities issued infringement notices in relation to this same matter for 2005 to 2007. Banco Santander (Brazil), S.A. filed an appeal against these procedures at CARF, which was partially upheld on 8 October 2013. This decision has been appealed at the higher instance of CARF (Tax Appeal High Chamber). In December 2013, the Brazilian tax authorities issued the infringement notice relating to 2008, the last year for amortisation of the goodwill. Banco Santander (Brazil) S.A. appealed against this infringement notice and the court found in its favour. The Brazilian tax authorities appealed against this decision at CARF. Based on the advice of its external legal counsel and in view of the first decision by CARF, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defence arguments to appeal against the infringement notices. Accordingly, the risk of incurring a loss is remote. Consequently, no provisions were recognised in connection with these proceedings because this matter should not affect the consolidated financial statements.

- In May 2003, the Brazilian tax authorities issued separate infringement notices against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. ("**DTVM**") (currently Produban Serviços de Informática S.A.) and Banco Santander (Brazil), S.A. (currently Banco Santander (Brazil), S.A.) in relation to the Provisional Tax on Financial Movements (CPMF) with respect to certain transactions carried out by DTVM in the management of its customers' funds and for the clearing services provided by Banco Santander (Brazil), S.A. to DTVM in 2000, 2001 and the first two months of 2002. The two entities appealed against the infringement notices at CARF, with DTVM obtaining a favourable decision and Banco Santander (Brazil) S.A. an unfavourable decision. Both decisions were appealed by the losing parties at the High Chamber of CARF, and unfavourable decisions were obtained by Banco Santander (Brazil) S.A. and DTVM on 12 and 19 June 2015, respectively. Both cases were appealed at court in a single proceeding and a provision was recognised for the estimated loss.
- In December 2010, the Brazilian tax authorities issued an infringement notice against Santander Seguros, S.A. (Brazil), as the successor by merger to ABN AMRO Brasil dois Participações, S.A., in relation to income tax (IRPJ and CSLL) for 2005. The tax authorities questioned the tax treatment applied to a sale of shares of Real Seguros, S.A. made in that year. The aforementioned entity filed an appeal for reconsideration against this infringement notice. As the former parent of Santander Seguros S.A. (Brazil), Banco Santander (Brazil) S.A. is liable in the event of any adverse outcome of this proceeding. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- In June 2013, the Brazilian tax authorities issued an infringement notice against Banco Santander (Brazil), S.A. as the party liable for tax on the capital gain allegedly obtained in Brazil by the entity not resident in Brazil, Sterrebeeck B.V., as a result of the "incorporação de ações" (merger of shares) transaction carried out in August 2008. As a result of the aforementioned transaction, Banco Santander (Brazil), S.A. acquired all of the shares of Banco ABN AMRO Real, S.A. and ABN AMRO Brasil Dois Participações, S.A. through the delivery to these entities' shareholders of newly issued shares of Banco Santander (Brazil), S.A., issued in a capital increase carried out for that purpose. The Brazilian tax authorities take the view that in the aforementioned transaction Sterrebeeck B.V. obtained income subject to tax in Brazil consisting of the difference between the issue value of the shares of Banco Santander (Brazil), S.A. that were received and the acquisition cost of the shares delivered in the exchange. In December 2014, the Group appealed against the infringement notice at CARF after the appeal for reconsideration lodged at the Federal Tax Office was dismissed. Based on the advice of its external legal counsel, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defence arguments to appeal against the infringement notice. Accordingly, the risk of incurring a loss is remote. Consequently, the Group has not recognised any provisions in connection with these proceedings because this matter should not affect the consolidated financial statements.
- In November 2014, the Brazilian tax authorities issued an infringement notice against Banco Santander (Brazil), S.A. in relation to income tax (IRPJ and CSLL) for 2009 questioning the tax-deductibility of the amortisation of the goodwill of Banco ABN AMRO Real S.A., performed prior to the absorption of this bank by Banco Santander (Brazil) S.A., but accepting the amortisation performed after the merger. On the advice of its external legal counsel, Banco Santander (Brazil), S.A. lodged an appeal against this decision at the Federal Tax Office and obtained a favourable decision in July 2015, which we expect will be appealed at CARF by the Brazilian tax authorities. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability. Banco Santander (Brazil), S.A. has also appealed against infringement notices issued by the tax authorities questioning the tax-deductibility of the amortisation of the goodwill arising on the acquisition of Banco Comercial e de Investimento Sudameris, S.A. No provision was recognised in connection with this matter as it was considered to be a contingent liability.
- Legal action brought by Sovereign Bancorp, Inc. (currently Santander Holdings USA, Inc.) claiming its right to take a foreign tax credit in connection with taxes paid outside the United States in fiscal years 2003 to 2005 in relation to financing transactions carried out with an international bank. Santander Holdings USA Inc. considers that, in accordance with applicable tax legislation, it is entitled to recognise the aforementioned tax credits as well as

the related issuance and financing costs. In addition, if the final outcome of this legal action is favourable to the interests of Santander Holdings USA, Inc., the amounts paid over by the entity in relation to this matter with respect to 2006 and 2007 would have to be refunded. In 2013 and in 2015, the U.S. courts found against two taxpayers in cases with a similar structure. In the case of Santander Holdings USA, Inc., on 13 November 2015, the district judge found for Santander Holdings USA, Inc. in the final decision. On 13 January 2016, the judge ordered the amounts paid over with respect to 2003 to 2005 to be refunded to Santander Holdings USA, Inc. On 11 March 2016, the U.S. government filed its appeal to the decision at the Court of Appeals. The estimated loss relating to this proceeding was provided for.

- Santander UK has proactively engaged with HM Revenue & Customs to resolve a number of outstanding legacy tax matters, all of which relate to periods prior to Santander UK plc's 2010 adoption of the Code of Practice on Taxation for Banks. However, litigation proceedings were commenced in relation to a small number of these issues, with respect to which the court of first instance found in favour of HM Revenue & Customs. Santander UK did not to appeal these rulings and accordingly, there are no tax litigations. The provision recognised for the amounts relating to these matters has been used in full.

At the date of approval of this Base Prospectus certain other less significant tax-related proceedings were also in progress.

Non-tax-related proceedings

As of the date of this Base Prospectus, the main non-tax-related proceedings concerning the Group were as follows:

- Customer remediation: claims associated with the sale by Santander UK of certain financial products (principally payment protection insurance or "**PPI**") to its customers.
- Payment protection insurance is a UK insurance product offering payment protection on unsecured personal loans (and credit cards). The product was sold by all UK banks. The mis-selling issues are predominantly related to business written before 2009. The nature and profitability of the product has changed materially since 2008.
- On 1 July 2008, the UK Financial Ombudsman Service ("**FOS**") referred concerns regarding the handling of PPI complaints to the UK Financial Services Authority ("**FSA**"). On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling as an issue of wider implication. The FSA published its Policy Statement on 10 August 2010, setting out the evidence and guidance on the fair assessment of a complaint and the calculation of redress, as well as a requirement for firms to reassess historically rejected complaints which had to be implemented by 1 December 2010.
- On 8 October 2010, the British Bankers' Association ("**BBA**"), the principal trade association for the UK banking and financial services sector, filed on behalf of certain financial institutions (which did not include Santander UK plc) an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008. The judicial review was heard in the courts in January 2011 and on 20 April 2011 judgment was handed down by the High Court dismissing the proceeding brought by the BBA.
- Santander UK did not participate in the legal action undertaken by other UK banks and had been consistently making provisions and settling claims with regards to PPI complaints liabilities.
- There was a fall in compensation payments in the first half of 2015 and an increase from the third quarter, in line with industry trends, with compensation remaining stable in the last quarter.
- The FSA consultation papers of November 2015 were taken into account in order to calculate the provision in 2015. As a result of considering the contents of the consultation papers, an

additional provision of GBP 450 million was recognised. This amount is based on a probable scenario of two years in which customers could make their claims and on the anticipated increase in the volume of claims due to the established two-year period.

At 31 December 2015, the provision recognised in this connection totalled GBP 465 million.

The following table shows information on the total claims received up to 31 December 2015 and the resolution thereof:

(number of claims, in thousands)

	2015	2014	2013
Claims outstanding at the beginning of the period	20	14	31
Claims received ⁽¹⁾	251	246	363
Claims rejected as being invalid ⁽²⁾	(195)	(194)	(298)
Resolved claims	(57)	(46)	(82)
Claims outstanding at the end of the period	19	20	14

(1) Includes rejected claims relating to customers that had never purchased payment protection insurance from Santander UK.

(2) Customers are entitled to appeal to the Financial Ombudsman Service (FOS) if their claims are rejected. The FOS may uphold or reject an appeal and if an appeal is upheld, Santander UK is required to compensate the customer. The table shows the result of appeals relating to paid or rejected claims.

The provision recognised at the end of 2015 represents the best estimate by Group management, taking into account the opinion of its advisers and of the costs to be incurred in relation to any compensation that may result from the redress measures associated with the sales of PPI in the UK. The provision was calculated on the basis of the following key assumptions resulting from judgments made by management:

- Volume of claims- estimated number of claims;
- Percentage of claims lost- estimated percentage of claims that are or will be in the customers' favour; and
- Average cost - estimated payment to be made to customers, including compensation for direct loss plus interest.

These assumptions were based on the following information:

- A complete analysis of the causes of the claim, the probability of success, as well as the possibility that this probability could change in the future;
- Activity recorded with respect to the number of claims received;
- Level of compensation paid to customers, together with a projection of the probability that this level could change in the future;
- Impact on the level of claims in the event of proactive initiatives carried out by the Group through direct contact with customers; and
- Impact of the media coverage.

These assumptions are reviewed, updated and validated on a regular basis using the latest available information, such as the number of claims received, the percentage of claims lost, the potential impact of any change in that percentage, etc. and any new evaluation of the estimated population.

The most relevant factor for calculating the balance of the provision is the number of claims received as well as the expected level of future claims. The percentage of claims lost is calculated on the basis of the analysis of the sale process. The average cost of compensation

is calculated in a reasonable manner as the Group manages a high volume of claims and the related population is homogenous. Group management reviews the provision required at each relevant date, taking into account the latest available information on the aforementioned assumptions as well as past experience.

- After the Madrid Provincial Appellate Court had rendered null and void the award handed down in the previous arbitration proceeding, on 8 September 2011, Banco Santander, S.A. filed a new request for arbitration with the Spanish Arbitration Court against Delforca 2008, Sociedad de Valores, S.A. (formerly Gaesco Bolsa Sociedad de Valores, S.A.), claiming €66 million that the latter owes it as a result of the declaration on 4 January 2008 of the early termination by the Bank of all the financial transactions agreed upon between the parties.

On 3 August 2012, Delforca 2008, S.A. was declared to be in a position of voluntary insolvency by Barcelona Commercial Court no. 10, which had agreed as part of the insolvency proceeding to stay the arbitration proceeding and the effects of the arbitration agreement entered into by Banco Santander, S.A. and Delforca 2008, S.A. The Arbitration Court, in compliance with the decision of the Commercial Court, agreed on 20 January 2013 to stay the arbitration proceedings at the stage reached at that date until a decision could be reached in this respect in the insolvency proceeding.

In addition, as part of the insolvency proceeding of Delforca 2008, S.A., Banco Santander, S.A. notified its claim against the insolvent party with a view to having the claim recognised as a contingent ordinary claim without specified amount. However, the insolvency manager opted to exclude Banco Santander, S.A.'s claim from the provisional list of creditors and, accordingly, Banco Santander, S.A. filed an ancillary claim, which was dismissed by a court decision on 17 February 2015. This decision also declared that Banco Santander, S.A. had breached its contractual obligations under the framework financial transaction agreement it had entered into with Delforca 2008, S.A. As part of the same insolvency proceeding, Delforca 2008, S.A. has filed another ancillary claim requesting the termination of the arbitration agreement included in the framework financial transactions agreement entered into by that party and Banco Santander, S.A. in 1998, as well as the termination of the obligation that allegedly binds the insolvent party to the High Council of Chambers of Commerce (Spanish Arbitration Court). This claim was upheld in full by the court. On 30 December 2013, Banco Santander filed a complaint requesting the termination of the insolvency proceeding of Delforca 2008, S.A. due to supervening disappearance of the alleged insolvency of the company. The complaint was dismissed by a decision handed down on 30 June 2014. A court order dated 25 May 2015 declared the end of the common phase of the insolvency proceeding and the opening of the arrangement phase. Banco Santander, S.A. lodged an appeal against the court's decisions (1) to stay the arbitration proceeding and the effects of the arbitral award, (2) to terminate the arbitration agreement, (3) not to recognise the contingent claim, and to declare a breach by Banco Santander, S.A. and (4) not to conclude the proceeding due to the non-existence of insolvency.

On 23 June 2015, Delforca 2008, S.A. submitted an arrangement proposal entailing the payment in full of the ordinary and subordinate claims.

In February, 2016, notice was served on the Bank of another ancillary claim filed by Delforca 2008, S.A. and Mobiliaria Monesa, S.A. (parent of Delforca 2008, S.A.) requesting the voidness of the enforcement of securities made by the Bank for a total sum of €57 million. This claim has been stayed on preliminary civil ruling grounds, until the above-mentioned appeals are handed down.

In addition, in April 2009, Mobiliaria Monesa, S.A. (parent of Delforca 2008, S.A.) filed a claim against Banco Santander, S.A. at Santander Court of First Instance no. 5, claiming damages which it says it incurred as a result of the (in its opinion) unwarranted claim filed by the Bank against its subsidiary, reproducing the same objections as Delforca 2008, S.A. This proceeding has currently been stayed on preliminary civil ruling grounds, against which Mobiliaria Monesa, S.A. filed an appeal which was dismissed by the Cantabria Provincial Appellate Court in a judgment dated 16 January 2014.

Lastly, on 11 April 2012, Banco Santander, S.A. was notified of the claim filed by Delforca 2008, S.A., heard by Madrid Court of First Instance no. 21, in which it sought indemnification for the damage and losses it alleges it incurred due to the (in its opinion) unwarranted claim by the Bank. Delforca 2008, S.A. made the request in a counterclaim filed in the arbitration proceeding that concluded with the annulled award, putting the figure at up to €218 million. The aforementioned court has dismissed the motion for declinatory exception proposed by Banco Santander, S.A. as the matter has been referred for arbitration. This decision was upheld in an appeal at the Madrid Provincial Appellate Court in a judgment dated 27 May 2014. The Group considers that the risk of loss arising as a result of these matters is remote and, accordingly, it has not recognised any provisions in connection with these proceedings.

- Former employees of Banco do Estado de São Paulo S.A., Santander Banespa, Cia. de Arrendamiento Mercantil: A claim was filed in 1998 by the association of retired Banespa employees ("**AFABESP**") on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's Bylaws in the event that the entity obtained a profit and that the distribution of this profit were approved by the board of directors. The bonus was not paid in 1994 and 1995 since the bank did not make a profit and partial payments were made from 1996 to 2000, as agreed by the board of directors, and the relevant clause was eliminated in 2001. The Regional Employment Court ordered the bank to pay this half-yearly bonus in September 2005 and the bank filed an appeal against the decision at the High Employment Court ("**TST**") and, subsequently, at the Federal Supreme Court ("**STF**"). The TST confirmed the judgment against the bank, whereas the STF rejected the extraordinary appeal filed by the bank in a decision adopted by only one of the Court members, thereby also upholding the order issued to the bank. This decision was appealed by the bank and the association. Only the appeal lodged by the bank has been given leave to proceed and will be decided upon by the STF in plenary session.
- "Planos economicos": Like the rest of the banking system, Santander Brazil has been the subject of claims from customers, mostly depositors, and of class actions brought for a common reason, arising from a series of legislative changes relating to the calculation of inflation ("**planos economicos**"). The claimants considered that their vested rights had been impaired due to the immediate application of these adjustments. In April 2010, the High Court of Justice ("**STJ**") set the limitation period for these class actions at five years, as claimed by the banks, rather than twenty years, as sought by the claimants, which will probably significantly reduce the number of actions brought and the amounts claimed in this connection. As regards the substance of the matter, the decisions issued to date have been adverse for the banks, although two proceedings have been brought at the STJ and the Supreme Federal Court ("**STF**") with which the matter is expected to be definitively settled. In August 2010, STJ handed down a decision finding for the plaintiffs in terms of substance, but excluding one of the "planos" from the claim, thereby reducing the amount thereof, and once again confirming the five-year statute of limitations period. Shortly thereafter, the STF issued an injunctive relief order whereby the proceedings in progress were stayed until this court issues a final decision on the matter.
- Proceeding under Criminal Procedure Law (case no. 1043/2009) conducted at Madrid Court of First Instance no. 26, following a claim brought by Banco Occidental de Descuento, Banco Universal, C.A. against the Bank for USD 150,000,000 in principal plus USD 4,700,000 in interests, upon alleged termination of an escrow contract.

The court upheld the claim but did not make a specific pronouncement on costs. A judgment handed down by the Madrid Provincial Appellate Court on 9 October 2012 upheld the appeal lodged by the Bank and dismissed the appeal lodged by Banco Occidental de Descuento, Banco Universal, C.A., dismissing the claim. The dismissal of the claim was confirmed in an ancillary order to the judgment dated 28 December 2012. An appeal was filed at the Supreme Court by Banco Occidental de Descuento against the Madrid Provincial Appellate Court decision. The appeal was dismissed in a Supreme Court judgment dated 24 October 2014. Banco Occidental de Descuento filed a motion for annulment against the aforementioned judgment which was dismissed in an order dated 2 December 2015. The complainant has stated that it will appeal. The Bank has not recognised any provisions in this connection.

- On 26 January 2011, notice was served to the Bank of an ancillary insolvency claim to annul acts detrimental to the assets available to creditors as part of the voluntary insolvency proceedings of Mediterráneo Hispa Group, S.A. at Murcia Commercial Court no. 2. The aim of the principal action is to request annulment of the application of the proceeds obtained by the company undergoing insolvency from an asset sale and purchase transaction involving €32 million in principal and €2.7 million in interest. On 24 November 2011, the hearing was held with the examination of the proposed evidence. Upon completion of the hearing, it was resolved to conduct a final proceeding. The Court dismissed the claim in full in a judgment dated 13 November 2013. The judgment was confirmed at appeal by the Murcia Provincial Appellate Court in a judgment dated 10 July 2014. The insolvency managers have filed a cassation and extraordinary appeal against procedural infringements against the aforementioned judgment.
- The bankruptcy of various Lehman Group companies was made public on 15 September 2008. Various customers of Santander Group were affected by this situation since they had invested in securities issued by Lehman or in other products which had such assets as their underlying.

At the date of this Base Prospectus, certain claims had been filed in relation to this matter. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Group acted as intermediary would not give rise to any liability for it in relation to the insolvency of Lehman. Accordingly, the risk of loss is considered to be remote and, as a result, no provisions needed to be recognised in this connection.

- The intervention, on the grounds of alleged fraud, of Bernard L. Madoff Investment Securities LLC ("**Madoff Securities**") by the SEC took place in December 2008. The exposure of customers of the Group through the Optimal Strategic U.S. Equity ("**Optimal Strategic**") subfund was €2,330 million, of which €2,010 million related to institutional investors and international private banking customers, and the remaining €320 million made up the investment portfolios of the Group's private banking customers in Spain, who were qualifying investors.

At the date of this Base Prospectus, certain claims had been filed in relation to this matter. The Group considers that it has at all times exercised due diligence and that these products have always been sold in a transparent way pursuant to applicable legislation and established procedures. Therefore, the risk of loss is considered to be remote or non-material.

- At the end of the first quarter of 2013, news stories were published stating that the public sector was debating the validity of the interest rate swaps arranged between various financial institutions and public sector companies in Portugal, particularly in the public transport industry.

The swaps under debate included swaps arranged by Banco Santander Totta, S.A. with the public companies Metropolitano de Lisboa, E.P.E. (MdL), Metro de Porto, S.A. (MdP), Sociedade de Transportes Colectivos do Porto, S.A. (STCP) and Companhia Carris de Ferro de Lisboa, S.A. (Carris). These swaps were arranged prior to 2008, i.e. before the start of the financial crisis, and had been executed without incident.

In view of this situation, Banco Santander Totta, S.A. took the initiative to request a court judgment on the validity of the swaps in the jurisdiction of the United Kingdom to which the swaps are subject. The corresponding claims were filed in May 2013.

After the Bank had filed the claims, the four companies (MdL, MdP, STCP and Carris) notified Banco Santander Totta, S.A. that they were suspending payment of the amounts owed under the swaps until a final decision had been handed down in the UK jurisdiction in the proceedings. MdL, MdP and Carris suspended payment in September 2013 and STCP did the same in December 2013.

Consequently, Banco Santander Totta, S.A. extended each of the claims to include the unpaid amounts.

On 29 November 2013, the companies presented their defence in which they claimed that the swaps were null and void under Portuguese law and, accordingly, that they should be refunded the amounts paid. On February 14, 2014, Banco Santander Totta, S.A. answered the counterclaim, maintaining its arguments and rejecting the opposing arguments in its documents dated 29 November 2013.

On 4 April 2014, the companies issued their replies to the Bank's documents. The preliminary hearing took place on 16 May 2014.

The case was heard from 12 October to 10 December 2015. The judgment was handed down on 4 March 2016. The Court decided in favour of Banco Santander Totta, S.A. on all requests submitted by it and against the transport companies on all requests made by them. It considered all nine swap contracts to be valid and binding.

Banco Santander Totta, S.A. and its legal advisers consider that this judgment confirmed that the bank acted at all times in accordance with applicable legislation and under the terms of the swaps. As a result, the Group has not recognised any provisions in this connection.

- Most of the German banking industry has been affected by two German Supreme Court decisions in 2014 in relation to handling fees in consumer loan agreements.

In May 2014, the German Supreme Court held handling fees in loan agreements to be null and void. The Court subsequently handed down a ruling at the end of October 2014 extending from three to ten years the statute of limitation period on claims relating to old transactions. Therefore, any claims relating to handling fees paid between 2004 and 2011 became statute-barred in 2014. This situation gave rise to numerous claims at the end of 2014 which affected the income statements of banks in Germany.

Santander Consumer Bank AG stopped including these handling fees in agreements from 1 January 2013 and ceased charging these fees definitively at that date, i.e. before the Supreme Court handed down its judgment on the issue.

Provisions of approximately €455 million were recognised in 2014 to cover the estimated cost of the claims. In order to calculate the provision, the claims already received, as well as an estimate of those that could be received in 2015 (the year in which the period for making claims ends as they become statute-barred) were taken into account. The provisions recognised to cover the claims received were used progressively throughout 2014 and 2015. The Bank and the other Group companies are subject to claims and, therefore, are party to certain legal proceedings incidental to the normal course of their business (including those in connection with lending activities, relationships with employees and other commercial or tax matters).

In this context, it must be considered that the outcome of court proceedings is uncertain, particularly in the case of claims for indeterminate amounts, those based on legal issues for which there are no precedents, those that affect a large number of parties or those at a very preliminary stage.

With the information available to it, the Group considers that at 31 December 2015, 2014 and 2013, it had reliably estimated the obligations associated with each proceeding and had recognised, where necessary, sufficient provisions to cover reasonably any liabilities that may arise as a result of these tax and legal situations. It also believes that any liability arising from such claims and proceedings will not have, overall, a material adverse effect on the Group's business, financial position or results of operations.

13.7 ***Significant change in the guarantor's financial position: A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.***

There has been no significant change in the financial position of the Santander Group (including the Guarantor) since 31 March 2016 (being the date of the most recently published unaudited consolidated

financial statements of the Guarantor). Therefore, there has been no material adverse change in the prospects of the Guarantor since 31 March 2016.

14. ADDITIONAL INFORMATION

14.1 Share capital

14.1.1 *The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.*

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully-issued and paid up of €7,217,246,289.50 divided into 14,434,492,579 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

14.2 Memorandum and articles of association.

14.2.1 *The register and the entry number therein, if applicable, and a description of the guarantor's objects and purposes and where they can be found in the memorandum and articles of association.*

The Guarantor's corporate purpose is:

- (i) the conduct of activities and operations and the provision of services of any kind which are typical of the banking business in general and which are permitted under current law; and
- (ii) the acquisition, possession, enjoyment and dispositions of all types of securities, as set out at Article 2 of the *Estatutos* of Banco Santander, S.A.

15. MATERIAL CONTRACTS

15.1 *A brief summary of all material contracts that are not entered into in the ordinary course of the guarantor's business, which could result in any group member being under an obligation or entitlement that is material to the guarantor's ability to meet its obligation to security holders in respect of the securities being issued.*

During the past two years, the Bank has not been a party to any contracts that were not entered into in the ordinary course of business of the Bank and which were material to the Group as a whole.

16. THIRDPARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

16.1 *Where a statement or report attributed to a person as an expert is included in this Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the guarantor. If the report has been produced at the guarantor's request, a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of this Base Prospectus.*

Not Applicable.

16.2 *Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the guarantor is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the guarantor shall identify the source(s) of the information.*

Not Applicable.

17. DOCUMENTS ON DISPLAY

17.1 *A statement that for the life of the Base Prospectus the following documents (or copies thereof), where applicable, may be inspected:*

- (a) the memorandum and articles of association of the guarantor;**
- (b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the guarantor's request any part of which is included or referred to in the base prospectus; and**
- (c) the historical financial information of the guarantor or, in the case of a group, the historical financial information of the guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the base prospectus.**

An indication of where the documents on display may be inspected, by physical or electronic means.

For the life of the Base Prospectus, the following documents may be inspected by physical or electronic means at the registered office of the Guarantor, at the offices of each of the Issue and Paying Agent and of the Paying Agents specified at the end of the Base Prospectus:

- (i) the estatutos (Bylaws) of the Guarantor; and**
- (ii) the information incorporated by reference herein under "Documents Incorporated by Reference" and under "The Description of the Guarantor – Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits and Losses".**

The documents listed in (i) and (ii) above shall be published in electronic form (pdf copies) on the website of Banco Santander (www.bancosantander.com). Each of the Final Terms shall be published in electronic form (pdf copies) on the website of the Irish Stock Exchange (www.ise.ie).

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a Dealer Agreement dated 8 July 2016 (the "**Dealer Agreement**") between the Issuer, the Guarantor, the Arranger and the Dealers, the Notes will be offered on a continuous basis by the Issuer to the Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to other dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Dealers. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers.

Each of the Issuer, failing whom the Guarantor, has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement may be terminated in relation to all the Dealers or any of them by the Issuer or, in relation to itself and the Issuer only, by any Dealer, at any time on giving not less than ten business days' notice.

United States of America

Regulation S Category 2, TEFRA D, unless TEFRA C is specified as applicable in the relevant Applicable Transaction Terms: Rule 144A is eligible if so specified in the relevant Applicable Transaction Terms.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (as amended) (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver such 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 relevant 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 relevant 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, other than pursuant to Rule 144A 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 for 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, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act (if available).

Such Dealers as may be specified in the relevant Applicable Transaction Terms may offer and sell Notes in accordance with Rule 144A under the Securities Act ("**144A Resales**") subject to compliance with all applicable United States selling restrictions.

In connection with any such 144A resale, each such Dealer has represented, undertaken and agreed that it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act, that transfers of Notes are restricted as set forth herein and that the selling Dealer may rely upon the exemption provided by Rule 144A under the Securities Act. Please see "Transfer Restrictions".

Each Series of Notes may also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer may agree and as indicated in the relevant Applicable Transaction Terms.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

In relation to each Tranche of Notes, the Dealers subscribing for or purchasing such Notes have represented to and agreed with, or will represent to and agree with, the Issuer, the Guarantor and each other such Dealer (if any) that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or, in the case of the Guarantor, would not apply to the Guarantor if it was not an authorised person; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Kingdom of Spain

The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the securities market law*) 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.

The Notes may not be offered, sold or distributed, nor may the Notes be re-sold to Spanish tax-resident individuals.

European Economic Area

In relation to each Member State of the EEA 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 Base Prospectus as completed by the Applicable Transaction Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) **Approved prospectus:** if the Applicable Transaction Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the

Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Applicable Transaction Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such applicable transaction or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) **Fewer than 150 offerees:** at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) **Other exempt offers:** at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Republic of Chile

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither the Issuer nor the Notes have been, and will not be registered at the Chilean Notes and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*) (the "**SVS**") pursuant to Ley No. 18,045 de Mercado de Valores (Note Market Act), as amended, of the Republic of Chile and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes within Chile or to, or for the account or benefit of persons in Chile except in circumstances which have not resulted and will not result in a public offering in Chile within the meaning of Chilean law.

Pursuant to Rule No. 336 of the SVS ("**Rule 336**"), the Notes may be privately offered to certain qualified investors identified as such by Rule 336. Accordingly, Dealers may offer the Notes to prospective investors in Chile in accordance with the following requirements:

- (a) The offer of the Notes must be subject to Rule 336.
- (b) The Dealer shall verify the identity and status of qualified investors as referred in Section I, subsection (iii) letters (a) and (b) of Rule 336.
- (c) The Dealer shall comply with the requirements, conditions, limits and amounts established in Section I of Rule 336, as applicable.
- (d) Upon request of the SVS and/or Banco Santander S.A., the Dealer shall prove compliance with the requirements and obligations contained in Rule 336.
- (e) The Dealer shall include in a prominent manner in any communication or material (whether in paper or electronic form, including without limitation the offering memorandum) the following disclosure in English and Spanish.

English version

- (a) THE STARTING DATE OF THE OFFER WILL BE [●], AND THIS OFFER CONFORMS TO GENERAL RULING N°336 OF THE CHILEAN SECURITIES AND INSURANCE SUPERINTENDENCE;
- (b) THE OFFER DEALS WITH SECURITIES NOT REGISTERED IN THE REGISTRY OF SECURITIES OR IN THE REGISTRY OF FOREIGN SECURITIES OF THE CHILEAN SECURITIES AND INSURANCE SUPERINTENDENCE, AND THEREFORE SUCH SECURITIES ARE NOT SUBJECT TO ITS OVERSIGHT;
- (c) THE ISSUER IS NOT OBLIGED TO PROVIDE PUBLIC INFORMATION IN CHILE REGARDING THE FOREIGN SECURITIES SINCE SUCH SECURITIES ARE NOT REGISTERED WITH THE CHILEAN SECURITIES AND INSURANCE SUPERINTENDENCE; AND
- (d) THE FOREIGN SECURITIES SHALL NOT BE SUBJECT TO PUBLIC OFFERING AS LONG AS THEY ARE NOT REGISTERED WITH THE CORRESPONDING REGISTRY OF SECURITIES IN CHILE.

Spanish version

- (a) LA FECHA DE INICIO DE LA OFERTA SERÁ EL [●] Y ESTA OFERTA SE ACOGE A LA NORMA DE CARÁCTER GENERAL N° 336 DE LA SUPERINTENDENCIA DE VALORES Y SEGUROS CHILENA;
- (b) QUE LA OFERTA VERSA SOBRE VALORES NO INSCRITOS EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA SUPERINTENDENCIA DE VALORES Y SEGUROS CHILENA, POR LO QUE TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ÉSTA;
- (c) QUE POR TRATAR DE VALORES NO INSCRITOS NO EXISTE LA OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA RESPECTO DE ESOS VALORES; Y
- (d) QUE ESOS VALORES NO PODRÁN SER OBJETO DE OFERTA PÚBLICA MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE.

As a result of the above restrictions, Purchasers of Notes in Chile are advised to consult legal counsel prior to making any Purchase, Offer, Sale, Resale or other Transfer of such Notes.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will represent and agree, that:

- (a) it has not and will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (No. 1 to 3) (as amended) (the "**MiFID Regulations**"), including, without limitation, Parts 6, 7 and 12 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it has not and will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) it has not and will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) (the "**Prospectus Regulations**"), and any rules issued under Section 1363 of the Companies Act 2014 by the Central Bank of Ireland (the "**Central Bank**");

- (d) it"**MAR**"), the Market Abuse Directive on criminal sanctions for market abuse (Directive 2014/57/EU or CSMAD or MAD II), the European Union (Market Abuse) Regulations 2016 "**2016 Regulations**") and any rules issued under Section 1370 of the Companies Act 2014 by the Central Bank; and
- (e) no Notes will be offered or sold with a maturity of less than twelve months except in full compliance with Central Bank Notice BSD C 01/02 (as may be amended, replaced or updated from time to time), and will assist the Issuer in complying with its obligations thereunder.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "**structured product**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than: (i) to "**professional investors**" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

Poland

Pursuant to Art. 7 of the Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, as amended (consolidated text, J. L. 2013, item 1382) (the "**Act on Public Offering**"), a Public Offering or admission of securities to trading on a regulated market requires making a prospectus publicly available. Pursuant to Art. 37 of the Act of Public Offering, securities of an issuer with its seat in a Member State for whom Poland is treated as a host Member State may be offered in a Public Offering or admitted to trading on a regulated market in Poland on completing the prospectus passporting procedure described in that act.

Pursuant to Art. 3 of the Act on Public Offering, a "**Public Offering**" consists of making information available to at least 150 persons in the territory of one member state or to an unspecified addressee, in any form and manner, about securities and the conditions for their acquisition, provided that this information constitutes satisfactory grounds for making a decision on whether to acquire the securities.

Portuguese Republic

Each Dealer has represented and agreed with the Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that, regarding any offer or sale of Notes by it in Portugal or to individuals resident in Portugal or having a permanent establishment located in the Portuguese territory, it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code (*Código dos Valores Mobiliários*), enacted by Decree Law no. 486/99 of November 13 (as amended from time to time), any regulations issued by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) and Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (as amended from time to time), and other than in compliance with all such laws and regulations: (i) no document, circular, advertisement or any offering material in relation to the Notes has been or will be subject to approval by the Portuguese Securities Market Commission; (ii) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case

may be; (iii) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Notes only (*oferta particular*); (iv) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Information Memorandum or any other offering material relating to the Notes to the public in Portugal; (v) pursuant to the Portuguese Securities Code, the private placements in Portugal or with Portuguese residents of securities issued by public companies (*sociedades abertas*) or by companies that have securities listed on a market need to be notified to the Portuguese Securities Market Commission for statistical purposes. For the sake of clarity, if the Notes are subject to a private placement addressed exclusively to qualified investors as defined, from time to time, in Article 30 of the Portuguese Securities Code (*investidores qualificados*), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly in, into or from Switzerland. Neither the Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange AG or any other regulated trading facility in Switzerland, and neither the Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Germany

The Dealer has represented and agreed, and any further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

Taiwan

The Notes have not been, and shall not be, offered or sold or re-sold, directly or indirectly to investors other than "professional institutional investors" ("**Professional Institutional Investors**") as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the Republic of China ("**ROC**"). Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a Professional Institutional Investor.

General

Each Dealer has represented, warranted and agreed, that to the best of its knowledge and belief, it has complied, and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes such offering material, in all cases at its own expense.

Other persons into whose hands this Base Prospectus or any Applicable Transaction Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, or distribute this Base Prospectus or any Applicable Transaction Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes which are Exempt Notes) or in a supplement to this Base Prospectus.

TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH PAYMENTS

The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and Ireland and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Prospective investors who are in any doubts as to their position should consult with their own professional advisers.

Taxation in Spain

The following is a general description of certain Spanish tax considerations. The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

- (a) of general application, Additional Provision One of Law 10/2014, of 26 June 2014 on the ordination, supervision and solvency of credit institutions, as well as Royal Decree 1065/2007 ("**Royal Decree 1065/2007**"), of 27 July 2007, establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules as amended by Royal Decree 1145/2011 of 29 July;
- (b) for legal entities resident for tax purposes in Spain which are corporate income tax ("**Corporate Income Tax**" or "**CIT**") taxpayers, Law 27/2014, of 27 November 2014, on the Corporate Income Tax and Royal Decree 634/2015, of 10 July 2015, promulgating the Corporate Income Tax Regulations, as amended from time to time (the "**Corporate Income Tax Regulations**"); and
- (c) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("**Non-Resident Income Tax**") taxpayers, Royal Legislative Decree 5/2004, of 5 March 2004, promulgating the Consolidated Text of the Non-Resident Income Tax Law, as amended from time to time, and Royal Decree 1776/2004, of 30 July 2004, promulgating the Non-Resident Income Tax Regulations, as amended from time to time, along with Law 19/1991, of 6 June 1991, on Wealth Tax, as amended from time to time and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax, as amended from time to time.

Whatever the nature and residence of the holder of a beneficial interest in the Notes (each, a "**Beneficial Owner**"), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September 1993, and exempt from value added tax, in accordance with Law 37/1992, of 28 December 1992, as amended from time to time, regulating such tax.

1. Legal Entities with Tax Residency in Spain

1.1 Corporate Income Tax (*Impuesto sobre Sociedades*)

Payments of income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax. In accordance with Section 44.5 of Royal Decree 1065/2007, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold on interest payments to Spanish CIT taxpayers provided that the relevant information about the Notes is submitted.

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 generally applicable rate of 19% , 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 in which case the required withholding will be made by the depositary or custodian.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

1.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish resident legal entities are not subject to Wealth Tax.

1.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities with tax residency in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax and must include the market value of the Notes in their taxable income for Spanish Corporate Income Tax purposes.

2. **Individuals and Legal Entities with no Tax Residency in Spain**

2.1 **Non-Resident Income Tax (*Impuesto sobre la Renta de No Residentes*)**

(a) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are the same as those for Spanish Corporate Income Tax taxpayers.

(b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

Payments of income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who have no tax residency in Spain, and which are Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from public debt provided that the relevant information about the Notes is submitted.

2.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed EUR 700,000 would be subject to Wealth Tax in tax year 2016, the applicable rates ranging between 0.2% and 2.5%.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Notes which income is exempt from Non-Resident Income Tax as described above.

If the exemptions outlined do not apply, individuals who are not resident in Spain for tax purposes and who are residents in a European Union or European Economic Member State may apply the rules approved by the Spanish region where the assets and rights with more value: (i) are located; (ii) can be exercised; or (iii) must be fulfilled.

According to current legislation, as from 1 January 2017, Net Wealth Tax is effectively eliminated.

Non-Spanish resident legal entities are not subject to Wealth Tax.

2.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish regional and state legislation (European Union or European Economic individuals not resident in Spain for tax purposes may apply the regional rules).

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

3. **Information about the Notes in Connection with Payments**

The Issuer is currently required by Spanish law to file an annual return with the Spanish tax authorities in which it reports on certain information relating to the Notes. In accordance with Section 44 of Royal Decree 1065/2007, for the purpose of preparing the annual return referred to above, certain information with respect to the Notes must be submitted to the Issuer at the time of each payment.

Such information would be the following:

- (a) identification of the Notes (as applicable) in respect of which the relevant payment is made;
- (b) the date on which relevant payment is made;
- (c) the total amount of the relevant payment; and
- (d) the amount of the relevant payment corresponding to each entity that manages a clearing and settlement system for securities situated outside Spain.

In particular, the Principal Paying Agent must certify the information above about the Notes by means of a certificate the form of which is attached as Annex I of this Base Prospectus. In light of the above, the Issuer and the Principal Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. Investors should note that the Issuer does not accept any responsibility relating to the procedures established for the collection of information concerning the Notes.

Accordingly, the Issuer will not be liable for any damage or loss suffered by any holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding. See "*Risk Factors*". The procedures for providing documentation referred to in this section are set out in detail in the amended and restated agency agreement dated 8 July 2016 (the "**Agency Agreement**") which may be inspected during normal business hours at the specified office of the Principal Paying Agent. In particular, if the Principal Paying Agent does not act as common depositary, the procedures described in this section will be modified in the manner described in the Agency Agreement.

Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

4. **No holding of Implicit Yield Notes by Spanish Individuals**

The sale, transfer, or acquisition of Implicit Yield Notes including, but not limited to, Zero Coupon Notes, to or by individuals (*personas físicas*) who are tax resident in Spain (each a "**Spanish Individual**") is forbidden in all cases. Any transfer of Implicit Yield Notes to or by Spanish Individuals is not permitted and such transfer will be considered null and void by the Issuer and the

Guarantor. Accordingly, neither the Issuer nor the Guarantor will recognise any Spanish Individual as owner of Implicit Yield Notes.

Annex I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal (...)⁽¹⁾, en nombre y representación de (entidad declarante), con número de identificación fiscal (...)⁽¹⁾ y domicilio en (...) en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number (...)⁽¹⁾, in the name and on behalf of (entity), with tax identification number (...)⁽¹⁾ and address in (...) as (function – mark as applicable):

(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.

(a) Management Entity of the Public Debt Market in book entry form.

(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) Agente de pagos designado por el emisor.

(d) Principal Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1. En relación con los apartados 3 y 4 del artículo 44:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores.....

1.1 Identification of the securities.....

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados).....

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. En relación con el apartado 5 del artículo 44.

2. In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores.....

2.1 Identification of the securities.....

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en a de de

I declare the above in on the.... of of

⁽¹⁾**En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

⁽¹⁾In case of non-residents (individuals or corporations) without permanent establishment in Spain, the number or identification code which corresponds to their country of residence shall be included.

Ireland

Withholding tax

In general, tax at the standard rate of income tax (currently 20%), is required to be withheld from payments of Irish source interest which could include interest paid on the Notes. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the "**1997 Act**") for certain interest bearing securities ("**quoted Eurobonds**") issued by a body corporate (such as the Issuer) which are quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland, and either:
 - (i) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear and Clearstream, Luxembourg are so recognised), or
 - (ii) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes are quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any quoted Eurobond, where such interest is collected by a bank or other agent in Ireland on behalf of any Noteholder.

Taxation of Noteholders

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax. Interest paid on the Notes may have an Irish source and therefore be within the charge to Irish income tax, pay related social insurance "**PRSI**" and the universal social charge. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

However, interest on the Notes will be exempt from Irish income tax if the recipient of the interest is resident in a relevant territory (a member state of the European Union (other than Ireland) or in a country with which Ireland has a comprehensive double taxation agreement) provided either (i) the Notes are quoted Eurobonds and are exempt from withholding tax as set out above, (ii) the Notes are not or cease to be quoted Eurobonds exempt from withholding tax and the recipient of the interest is a company resident in a relevant territory that generally taxes foreign source interest.

In addition, provided that the Notes are quoted Eurobonds and are exempt from withholding tax as set out above, the interest on the Notes will be exempt from Irish income tax if the recipient of the interest is (i) a company under the control, directly or indirectly, of persons who by virtue of the law of a relevant territory are resident in that country and that person or persons are not themselves under the control whether directly or indirectly of a person who is not resident in such a country, or (ii) a company, the principal class of shares of such company, or another company of which the recipient company is a 75% subsidiary, is substantially and regularly traded on one or more recognised stock exchanges in Ireland or a relevant territory or a stock exchange approved by the Irish Minister for Finance.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed may have a liability to Irish corporation tax on the interest.

Noteholders receiving interest on the Notes which does not fall within the above exemptions may be liable to Irish income tax, PRSI and the universal social charge on such interest.

Capital gains tax

A holder of Notes may be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held.

Capital acquisitions tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) the Notes are regarded as property situate in Ireland. Bearer notes are generally regarded as situated where they are physically located at any particular time. Registered Notes are generally regarded as situated where the principal register of Noteholders is maintained or is required to be maintained, but the Notes may be regarded as situated in Ireland regardless of their physical location or the location of the register as they represent a debt owed by an Irish incorporated debtor which may be secured over Irish property. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the donor or the donee/successor.

Stamp duty

Any document or electronic transfer effected through an approved or recognised relevant system as provided for in the Companies Act 1990 (Uncertificated Securities) Regulations 1996 transferring title to the Notes is potentially subject to 1% Irish stamp duty. However, if the terms of the loan capital exemption are satisfied, no stamp duty is payable. There are four conditions that must be satisfied to avail of this exemption:

- (a) the Notes must not carry a right of conversion into shares of an Irish incorporated company;
- (b) the Notes must not carry rights similar to those attaching to shares, including voting rights, entitlement to a share of profits or a share in surplus on liquidation of the Issuer;
- (c) the Notes must be issued for a price which is not less than 90% of the nominal value of the Notes; and
- (d) the Notes must not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices (based wholly or partly and directly or indirectly on stocks or marketable securities) specified in any document relating to the Notes.

Poland

General information

The following is a discussion of certain Polish tax considerations relevant to an investor resident in Poland or which is otherwise subject to Polish taxation. This statement should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this Base Prospectus, it may thus be subject to change, including a change with retroactive effect. Any change may negatively affect the tax treatment, as described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their individual circumstances. Prospective purchasers of Notes are advised to consult their professional tax adviser regarding the tax consequences of the purchase, ownership, disposal, redemption or transfer without consideration of Notes.

The reference to "interest" as well as to any other terms in the paragraphs below means "interest" or any other term as understood in Polish tax law.

Taxation of a Polish tax resident individual

A Polish tax resident individual is a natural person who has his/her centre of personal or business interests located in Poland or who stays in Poland for longer than 183 days in a year, unless any relevant tax treaty dictates otherwise.

(a) Withholding Tax on Interest Income

According to Article 30a of the Personal Income Tax Act dated 26 July 1991 (consolidated text, J.L. 2012, No. 0, item 361, amended (the "**PIT Act**"), interest income, including discount, derived by a Polish tax resident individual does not cumulate with general income subject to the progressive tax rate but is subject to 19% flat-rate tax.

Under Article 30a.9 of the PIT Act, withholding tax incurred outside Poland (including countries which have not concluded a tax treaty with Poland), up to an amount equal to the tax paid abroad, but not higher than 19% tax on the interest amount, could be deducted from the Polish tax liability. Particular double tax treaties can provide other methods of withholding tax settlements.

Under Article 41.4 of the PIT Act, the interest payer, other than an individual not acting within the scope of his/her business activity, should withhold the Polish 19% tax upon any interest payment. Under Article. 41.4d of the PIT Act, the entities operating securities accounts for the individuals, acting as tax remitters, should withhold this interest income if such interest income (revenue) has been earned in the territory of Poland and is connected with securities registered in the said accounts, and the interest payment to the individual (the taxpayer) is made through said entities. There are no regulations on where interest income is earned. In practice, unless specific circumstances indicate otherwise, it is considered that interest income is earned at the jurisdiction of the debtor. Although this is not expressly regulated in the tax law, in practice, the obligation to withhold tax applies only to Polish interest payers and not foreign interest payers. Consequently, no Polish withholding tax should be withheld on interest payment made from securities issued by a foreign, i.e. not Polish, company.

Separate, specific rules apply to interest income on securities held on Polish omnibus accounts. Under Article 41.10 of the PIT Act, insofar as securities registered in omnibus accounts are concerned, the entities operating omnibus accounts through which the amounts due are paid are liable to withhold the flat-rate income tax on interest income. The tax is charged on the day of placing the amounts due at the disposal of the omnibus account holder.

Pursuant to Article 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Polish omnibus accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter (under Article. 41.10 of the PIT Act the entity operating the omnibus account) from the aggregate income (revenue) released for the benefit of all such taxpayers through the omnibus account holder.

According to Article 45.3b of the PIT Act (and Article 45.3c of the Polish PIT Act with respect to securities held on Polish omnibus accounts), if the tax is not withheld, the individual is obliged to settle the tax himself/herself by 30 April of the following year.

(b) Other income

Income other than interest derived by a Polish tax resident individual from financial instruments, such as the Notes, held as non-business assets, qualify as capital income according to Article 17 of the PIT Act. Such income does not cumulate with the general income subject to the progressive tax scale but is subject to a 19% flat-rate tax. The costs of acquiring the financial instruments are recognised at the time the revenue is achieved. In principle, this income should be settled by the taxpayer by 30 April of the year following the year in which the income was earned.

(c) Notes held as business assets

If an individual holds the Notes as a business asset, in principle, interest and other the income should be taxed in the same way as other business income. The tax, at 19% flat rate or the 18% to 32% progressive tax rate depending on the choice and meeting of certain conditions by the individual, should be settled by the individual himself/herself.

Taxation of a Polish tax resident corporate income taxpayer

A Polish tax resident is a corporate income taxpayer having its registered office or place of management in Poland. Such entity is subject to income tax in respect of the securities (including any capital gains and on interest/discount) following the same principles as those which apply to any other income received from

business activity. As a rule, for Polish income tax purposes interest is recognised as revenue on a cash basis, i.e. when it is received and not when it has accrued. In respect of capital gains, the cost of acquiring the Notes will be recognised at the time the revenue is achieved. The taxpayer itself (without the involvement of the tax remitter) settles tax on interest (discount) or capital gains on securities, which is aggregated with other income derived from business operations conducted by the taxpayer.

The appropriate tax rate will be the same as the tax rate applicable to business activity, i.e. 19% income tax.

Notes held by a non-Polish tax resident (natural person or corporation)

A non-Polish tax resident individual is a natural person who does not have his/her centre of personal or business interests located in Poland and who does not stay in Poland for longer than 183 days in a year, unless any respective double tax treaty provides otherwise.

A non-Polish tax resident corporate income taxpayer is a corporate income taxpayer who does not have its registered office or place of management in Poland, unless any respective double tax treaty provides otherwise.

Non-Polish tax resident individuals and corporate income taxpayers are subject to Polish income tax only with respect to their income earned in Poland. There are no explicit regulations on where interest or capital gains or other income is earned. However, in practice it is considered that if the Notes are issued by a foreign entity, interest should not be considered as having been earned in Poland. Capital gains should neither be considered as arising in Poland unless the Notes are sold at a stock exchange in Poland (the Warsaw Stock Exchange). If the latter is the case, however, most of the tax treaties concluded by Poland provide for Polish tax exemption with respect to capital gains derived from Poland by a foreign tax resident. In order to benefit from a tax treaty, a foreign investor should present a relevant certificate of its tax residency.

If a foreign recipient of income acts through a permanent establishment in Poland, as a matter of principle it should be treated in the same manner as a Polish tax resident.

Taxation in Germany

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or Tranche of Notes may be subject to a different tax treatment due to the specific terms of such Series or Tranche of Notes as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment. Tax consequences that may arise if an investor combines certain series of Notes so that he or she derives a certain return are not discussed herein.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

German Tax Residents

The section "German Tax Residents" refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by a private Noteholder of the Notes will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**", *auszahlende Stelle*). The tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). For individual Noteholders who are subject to church tax, an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the

investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by a private Noteholder provided the Notes have been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition. If similar Notes kept or administered in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where Notes are acquired and/or sold or redeemed in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains. If interest coupons or interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the payment of interest coupons or interest claims if the Notes have been disposed of separately.

In case of a physical settlement of certain Notes which grant the Issuer or the Noteholder the right to opt for a physical delivery of underlying securities instead of a money payment, the acquisition costs of the Notes may be regarded as proceeds from the disposal, redemption, repayment or assignment of the Notes and hence as acquisition costs of the underlying securities received by the private Noteholder upon physical settlement; any consideration received by the Noteholder in addition to the underlying securities may be subject to withholding tax. To the extent the provision mentioned above is applicable, generally no withholding tax has to be withheld by the Disbursing Agent upon physical settlement as such exchange of the Notes into the underlying securities does not result in a taxable gain for the private Noteholder. However, withholding tax may then apply to any gain resulting from the disposal, redemption, repayment or assignment of the securities received in exchange for the Notes. In this case, the gain will be the difference between the proceeds from the disposal, redemption, repayment or assignment of the underlying securities and the acquisition costs of the Notes (after deduction of expenses related directly to the disposal, if any).

To the extent the Notes have not been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375% (including solidarity surcharge, plus church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the Notes ("**Accrued Interest**", *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution from another Member State of the European Union or the European Economic Area or from certain other countries in accordance with art. 17 para. 2 of the Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**") (e.g. Switzerland or Andorra).

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated 18 January 2016, a bad debt-loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden capital contribution, shall not be treated like a disposal. Accordingly, losses suffered upon such bad debt-loss or waiver shall not be tax-deductible. The same rules should be applicable according to the said tax decree, if the Notes expire worthless so that losses may not be tax-deductible at all. A disposal of the Notes will only be recognised according to the view of the tax authorities if the received proceeds exceed the respective transaction costs.

In computing any German tax to be withheld, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realised by a private Noteholder of the Notes via the Disbursing Agent (e.g. losses from the sale of other securities with the exception of shares). The Disbursing Agent also deducts Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security by a private Noteholder via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by a private Noteholder in the custodial account with the Disbursing Agent.

Private Noteholders are entitled to an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) for all investment income received in a given year. Upon the private Noteholder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No

withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporation while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Notes form part of a trade or business, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of a private Noteholder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process, the private Noteholder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25% (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), a private Noteholder may, and in case the actual gain is higher than 30% of the disposal proceeds must also, apply for an assessment on the basis of his or her actual acquisition costs. Further, a private Noteholder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemised basis is not permitted.

Losses incurred with respect to the Notes can only be offset against investment income of the private Noteholder realised in the same or the following years. Any losses realised upon the disposal of shares in stock corporations received in exchange for the Notes can only be offset against capital gains deriving from the disposal of shares.

Where Notes form part of a trade or business, the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. Where Notes qualify as zero bonds and form part of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account. The respective Noteholder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Noteholder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Noteholder. Where Notes form part of a German trade or business, the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax.

In the case of physically settled Notes, special limitations may apply to losses from the disposal of an underlying which is a share in a corporation or a unit of an equity investment fund.

Non-German Tax Residents

Interest and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii), a tax regime similar to that explained above under "*German Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and capital gains. However, where the income is subject to German taxation as set forth in the preceding paragraph and the Notes are kept or administered in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Note or an interest coupon are paid by a Disbursing Agent to a non-resident upon delivery of the Notes or interest coupons, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Notes will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a

permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common financial transactions tax (FTT) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

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

Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") which treats a "dividend equivalent" payment as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the U.S. Internal Revenue Service (the "**IRS**"). A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Recently published final U.S. Treasury regulations issued under Section 871(m) (the "**Section 871(m) Regulations**") will, when effective, require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as attributable to dividends from certain U.S. securities. Under the Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, as determined on the Note's issue date based on tests set forth in the Section 871(m) Regulations, will be subject to the Section 871(m) withholding regime (making such Note a "**Specified Note**"). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, in particular for instruments linked to certain broad-based indices. Withholding in respect of dividend equivalents will generally be required when cash payments are made on a Specified Note or upon the date of maturity, lapse or other disposition by the non-U.S. holder of the Specified Note. If the underlying U.S. security or securities are expected to pay dividends during the term of the Specified Note, withholding generally will still be required even if the Specified Note does not provide for payments explicitly linked to dividends. If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

The Section 871(m) Regulations generally apply to Specified Notes issued beginning 1 January 2017. If the terms of a Note are subject to a "significant modification" such that the Note is treated as retired and reissued, it

could lose its "grandfathered" status and might become a Specified Note based on economic conditions in effect at that time.

Upon the issuance of a series of Notes, the Issuer will state in the Applicable Transaction Terms if it has determined that they are Specified Notes, in which case a non-U.S. holder of the Notes should expect to be subject to withholding in respect of any dividend-paying U.S. securities underlying those Notes. The Issuer's determination is binding on non-U.S. holders of the Notes, but it is not binding on the IRS. The Section 871(m) Regulations require complex calculations to be made with respect to Notes linked to U.S. securities and their application to a specific issue of Notes may be uncertain.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Notes.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI and the Guarantor is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which (A) with respect to Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final United States Treasury Regulations defining the term foreign passthru payment are filed with the Federal Register, and (B) with respect to Notes that give rise to a dividend equivalent pursuant to section 871(m) of the Code, is 1 July 2017, or (in each case) which are materially modified after the grandfathering date, and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States has entered into an agreement with Spain (the "**U.S.-Spain IGA**") based largely on the Model 1 IGA.

If the Issuer and Guarantor are treated as Reporting FIs pursuant to the U.S.-Spain IGA, they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and Guarantor will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuer, the Guarantor and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

While the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any paying agent and the common depository or common safekeeper,

given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Notes.

GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for Notes to be admitted to the Official List and trading on the Regulated Market of the Irish Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Irish Stock Exchange but which will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems and/or may be unlisted, as the Issuer and the relevant Dealer(s) may agree.

2. Each of the Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in Ireland and the Kingdom of Spain in connection with the establishment of the Programme and the issue and performance of the Notes and the guarantees relating to them. The establishment of the Programme was authorised by the resolution of the board of directors of the Issuer passed on 7 July 2004, and the establishment of the Programme and the giving of the guarantees relating to the Notes by the Guarantor was authorised by a resolution of the executive committee of the Guarantor passed on 10 January 2005. The increase of the aggregate principal amount of Notes which may be outstanding at any time under the Programme was increased from EUR 5,000,000,000 to EUR 10,000,000,000 pursuant to a resolution of the executive committee of the Guarantor and a meeting of the board of directors of the Issuer, both held on 13 November 2006. The update of the Programme was authorised by the resolution of the board of directors of the Issuer passed on 7 July 2016 and by an authorisation of the executive committee of the Guarantor on 27 June 2016.
3. Each permanent or definitive Bearer Note, Receipt, Coupon and Talon relating to such a Note where TEFRA D is specified in the relevant Applicable Transaction Terms will bear the following legend: **"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code"**.
4. There are no pending or threatened governmental, legal or arbitration actions, suits or proceedings against or affecting the Issuer or the Guarantor or any of the Guarantor's subsidiaries, which, if determined adversely to the Issuer, the Guarantor or the Guarantor's subsidiaries, may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position of the Issuer or the Guarantor and its subsidiaries and, to the best knowledge of the Issuer or the Guarantor and its subsidiaries, no such actions, suits or proceedings are threatened or contemplated.
5. Since 31 December 2015, there has been no material adverse change in the prospects of the Guarantor, the Guarantor's subsidiaries or the Issuer.
6. Since 31 March 2016, in the case of the Guarantor and the Guarantor's subsidiaries, and since 31 December 2015, in the case of the Issuer, there has been no significant change in the financial or trading position.
7. Notes will be accepted for clearance through the Euroclear and Clearstream systems. The Common Code and the International Securities Identification Number (ISIN) will be set out in the relevant Applicable Transaction Terms.
8. For so long as the Programme remains in effect or any Notes remain outstanding, the following documents will be available for inspection, both by physical and electronic means, at the registered offices of the Issuer, the Guarantor, the Principal Paying Agent and each of the Paying Agents:
 - (i) the Agency Agreement;
 - (ii) the Programme Manual (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates in respect of Registered Notes, the Coupons, the Receipts and the Talons);
 - (iii) the Dealer Agreement;
 - (iv) the Deed of Covenant;

- (v) the Deed of Guarantee;
 - (vi) the Memorandum and Articles of Association of the Issuer and the *Estatutos* (with English translation) of the Guarantor;
 - (vii) the annual report and audited consolidated and non-consolidated financial statements of the Guarantor for the years ended 31 December 2015 and 2014;
 - (viii) the unaudited interim condensed consolidated financial statements for the Guarantor for the three-month period ended 31 March 2016;
 - (ix) the annual report of the Issuer for the years ended 31 December 2015 and 2014;
 - (x) the 21 October 2015 Supplement, 22 December 2015 Supplement, July 2015 Conditions, the 2015 Supplement, the 2014 Conditions, the 2014 Supplement, the 2013 Supplement, the July 2013 Conditions, the March 2013 Conditions, the 2012 Conditions, 2011 Conditions, 2010 Conditions, 2009 Conditions, 2008 Conditions, 2007 Conditions and 2006 Conditions, as defined above;
 - (xi) Applicable Transaction Terms relating to Notes issued under the Programme (save that, in the case of Exempt Notes, Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holder of the Notes and identify as holder of such Notes);
 - (xii) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus;
 - (xiii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus;
 - (xiv) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream Luxembourg with respect to the settlement in Euroclear and Clearstream Luxembourg of Notes in New Global Form); and
 - (xv) a copy of the Base Prospectus dated 29 July 2015.
9. The consolidated and non-consolidated financial statements of the Guarantor for the years ended 31 December 2015 and 2014 were audited by Deloitte S.L. of Plaza Pablo Ruiz Picasso, 1, 28020 Madrid, Spain (registered auditors in Spain and a member of the *Registro Oficial de Auditores de Cuentas* and with registration number S-0692). The financial statements of the Issuer for the year ended 31 December 2015 and 2014 were audited by Deloitte, Chartered Accountants of Earlsfort Terrace, Dublin 2, Ireland. As registered auditors, Deloitte are regulated by the Chartered Accountants Regulatory Board of the Institute of Chartered Accountants in Ireland, whose address is Chartered Accountants House, 47 Pearse Street, Dublin 2, Ireland.
10. Copies of the latest financial statements of the Issuer and the annual report and audited consolidated and non-consolidated financial statements of the Guarantor may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding. Neither the Issuer nor the Guarantor prepares audited interim financial statements.
11. Any uniform resource locators given in respect of website addresses in the Base Prospectus are inactive textual references only and it is not intended to incorporate the contents of any such websites into this Base Prospectus nor should the contents of such websites be deemed to be incorporated into this Base Prospectus.
12. A&L Goodbody, Solicitors have acted as legal adviser to the Issuer as to Irish law and Allen & Overy LLP have acted as legal adviser to the Arranger and Dealers as to Spanish law and English law, in relation to the update of the Programme.

13. In relation to this Programme, Banco Santander, S.A. acts in its capacity as Arranger and a Dealer of the Programme. Prospective investors should note that Banco Santander, S.A. is also the Guarantor under the Programme.
14. There are no material contracts which could result in any member of the Banco Santander consolidated group of companies being under an obligation that is material to the Issuer's ability to meet its obligations to the Noteholders.
15. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer or the Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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