

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 plc, trading as Euronext Dublin ("**Euronext Dublin**") or other regulated markets for the purposes of the Markets in Financial Instruments Directive, (Directive 2014/65/EU) (as amended, "**MiFID II**") 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. This Base Prospectus supersedes the Base Prospectus dated 25 July 2018.

When used in this Base Prospectus, "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"), and includes, for the purposes of this Prospectus only, any relevant implementing measure in a relevant Member State of the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 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.

Under the Programme, Santander International Products Public Limited Company (the "**Issuer**") may issue Notes. 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 Applicable Transaction Terms (as defined below) 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 in relation to the Programme and any Notes (the "**Transaction Documents**") are set out in various sections of this Base Prospectus.

Notes may be issued in bearer, registered or in dematerialised book-entry form (*anotaciones en cuenta*).

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the regulated market of Euronext Dublin, as set out in the applicable Final Terms. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Notes to the Official List of Euronext Dublin and trading on the regulated market of Euronext Dublin. Application may also be made to the Spanish fixed income securities market, AIAF Mercado de Renta Fija ("**AIAF**") operated by Bolsas y Mercados Españoles Renta Fija, S.A.U. (the "**Spanish Regulated Market Operator**") for the Notes to be listed and admitted to trading on AIAF. AIAF is a regulated market for the purposes of MiFID II. 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 Transaction Terms. If the Notes are admitted to listing on the Taipei Exchange and offered in Taiwan, the Notes shall not be offered, 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. In such case, 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 the Kingdom of Spain ("**Spain**"). Potential purchasers should note the statements on pages 521 to 530 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014 and Royal Decree 1065/2007, 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 the correct tax treatment of their Notes is obtained.

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.

The Programme has been rated (P)A2 by Moody's Investor Service España, S.A. ("**Moody's**"). 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 Applicable Transaction Terms. 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 Transaction Terms. 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, 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.

Amounts payable under the Notes may be calculated by reference to one or more "benchmarks" for the purposes of Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 (the "**Benchmarks Regulation**"). Where relevant, a statement will

be included in the applicable Final Terms or Drawdown Prospectus, as applicable, as to whether or not the relevant administrator of the "benchmark" is included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation.

Arranger and Dealer
BANCO SANTANDER, S.A.
17 July 2019

IMPORTANT NOTICES

Each of the Issuer and the Guarantor (to the extent set out in "Description of the Guarantor" on page 438 below) (together, the "**Responsible Persons**") accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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 Applicable Transaction Terms.

The Issuer and the Guarantor have confirmed to the Dealers described under "Key Features of the Programme" below (each a "**Dealer**" and together the "**Dealers**") 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. 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 principal 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 of Euronext Dublin or AIAF, (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 or applicable 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. With respect to Notes to be listed on the regulated market of Euronext Dublin, the Applicable Transaction Terms will be delivered to Euronext Dublin 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 the securities laws of any state or other jurisdiction of the

United States, trading in the Notes and any Entitlement(s) has not been approved by the Commodity Futures Trading Commission pursuant to the United States Commodity Exchange Act of 1936, as amended and the Notes and any Entitlement(s) 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, or not subject to the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A of the Securities Act ("**Rule 144A**").

The Notes will be subject to restrictions on resale and transfer – see "Transfer Restrictions".

This Base Prospectus does not constitute an offer of, or an invitation or solicitation of an offer 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 information supplied in connection with the Programme is 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 and 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, registered or dematerialised book-entry form (anotaciones en cuenta) (respectively "**Bearer Notes**", "**Registered Notes**" and "**Book-Entry 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 as defined under "Plan of Distribution"). 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.

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 – EEA RETAIL INVESTORS – Other than as provided in the Applicable Transaction Terms in respect of any Notes, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, save in relation to any jurisdiction(s) or period(s) for which the "Prohibition of Sales to EEA Retail Investors" is specified to be not applicable in any Applicable Transaction Terms, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Applicable Transaction Terms in respect of any Notes will include a legend entitled "*MiFID II product governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

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 MiFID II; 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 and consider the relevant manufacturer's target market assessment and distribution channels identified under the "MiFID II product governance" legend set out in the applicable Final Terms;
- 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 a Non-exempt Offer Jurisdiction, 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.

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.

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 other than Book-Entry Notes by Spanish individuals

The sale, transfer, or acquisition of Implicit Yield Notes (as defined below) other than Book-Entry 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 other than Book-Entry 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 (i) recognise any Spanish Individual as an owner of Implicit Yield Notes other than as an owner of Book-Entry Notes or (ii) list any Implicit Yield Notes other than Book-Entry Notes on AIAF.

"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.

Stabilisation

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 stabilisation may not necessarily occur. 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 cease 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.

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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 2014/65/EU), as amended, 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 a Non-exempt Offer Jurisdiction. [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 Paseo de Pereda, 9-12, Santander, 3, Madrid, 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 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland, telephone number: (+353) 16146240.

Element	Title	
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) 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, the U.S., other European countries, Brazil, other Latin American countries, 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; • the effects of the UK's referendum on membership in the European Union; • 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, including as a result of the UK exiting the EU; 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

Element	Title																																																																																								
		- 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 2018 of 719 companies that consolidate by the global integration method. In addition, there were 170 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.																																																																																							
B.12	Selected historical key financial information: <i>Audited Statement of Comprehensive Income of the Issuer for the years ended 31 December 2018 and 2017</i> The table below sets out summary information extracted from the Issuer's audited statement of comprehensive income for each of the two years ended 31 December 2018 and 31 December 2017: <table> <tr> <th></th><th>Year ended 31/12/2018 EUR</th><th>Year ended 31/12/2017 EUR</th></tr> <tr> <td>Interest income on investments</td><td>38,128,728</td><td>29,631,636</td></tr> <tr> <td>Interest expense on notes issued</td><td>(55,559,918)</td><td>(61,262,337)</td></tr> <tr> <td>Net interest income from derivatives</td><td>17,431,190</td><td>31,736,177</td></tr> <tr> <td>Amortisation on discount arising on origination of loans and receivables</td><td>-</td><td>-</td></tr> <tr> <td>Amortisation of discount on issuance of notes</td><td>-</td><td>-</td></tr> <tr> <td>Net interest income</td><td>-</td><td>105,476</td></tr> <tr> <td>Net realised gains on notes issued - designated as at fair value through profit or loss</td><td>5,175,689</td><td>7,310,441</td></tr> <tr> <td>Net realised losses on derivatives</td><td>(5,875,104)</td><td>(7,099,238)</td></tr> <tr> <td>Net unrealised gains / (losses) on notes issued - designated as at fair value through profit or loss</td><td>130,226,104</td><td>(31,384,603)</td></tr> <tr> <td>Net unrealised losses on derivatives</td><td>(72,325,445)</td><td>(11,906,910)</td></tr> <tr> <td>Net unrealised gains on investments - designated as at fair value through profit or loss</td><td>(57,061,223)</td><td>43,406,570</td></tr> <tr> <td>Net foreign exchange (loss)/gain</td><td>(140,021)</td><td>(326,260)</td></tr> <tr> <td></td><td>-</td><td>105,476</td></tr> <tr> <td>Other income</td><td>803,683</td><td>897,011</td></tr> <tr> <td>Other expenses</td><td>(732,880)</td><td>(911,161)</td></tr> <tr> <td>Net income for the year before taxation</td><td>70,803</td><td>91,326</td></tr> <tr> <td>Taxation</td><td>(21,241)</td><td>(27,398)</td></tr> <tr> <td>Profit for the financial year after taxation</td><td>49,562</td><td>63,928</td></tr> <tr> <td>Total comprehensive income for the financial year</td><td>49,562</td><td>63,928</td></tr> </table> <i>Audited Statement of Financial Position of the Issuer for the years ended 31 December 2018 and 2017</i> 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 2018 and 31 December 2017: <table> <tr> <th></th><th>As at 31/12/2018 EUR</th><th>As at 31/12/2017 EUR</th></tr> <tr> <td>Assets</td><td></td><td></td></tr> <tr> <td>Investment - designated at fair value through profit or loss</td><td>892,352,574</td><td>1,345,218,595</td></tr> <tr> <td>Loans and receivables</td><td>655,199,413</td><td>466,053,471</td></tr> <tr> <td>Derivatives</td><td>48,999,299</td><td>61,694,858</td></tr> <tr> <td>Interest receivable on investments</td><td>6,914,443</td><td>5,320,076</td></tr> <tr> <td>Other income receivable</td><td>1,149,019</td><td>552,036</td></tr> <tr> <td>Withholding tax receivable</td><td>72,512</td><td>105,498</td></tr> <tr> <td>Corporation tax receivable</td><td>16,293</td><td>-</td></tr> </table>			Year ended 31/12/2018 EUR	Year ended 31/12/2017 EUR	Interest income on investments	38,128,728	29,631,636	Interest expense on notes issued	(55,559,918)	(61,262,337)	Net interest income from derivatives	17,431,190	31,736,177	Amortisation on discount arising on origination of loans and receivables	-	-	Amortisation of discount on issuance of notes	-	-	Net interest income	-	105,476	Net realised gains on notes issued - designated as at fair value through profit or loss	5,175,689	7,310,441	Net realised losses on derivatives	(5,875,104)	(7,099,238)	Net unrealised gains / (losses) on notes issued - designated as at fair value through profit or loss	130,226,104	(31,384,603)	Net unrealised losses on derivatives	(72,325,445)	(11,906,910)	Net unrealised gains on investments - designated as at fair value through profit or loss	(57,061,223)	43,406,570	Net foreign exchange (loss)/gain	(140,021)	(326,260)		-	105,476	Other income	803,683	897,011	Other expenses	(732,880)	(911,161)	Net income for the year before taxation	70,803	91,326	Taxation	(21,241)	(27,398)	Profit for the financial year after taxation	49,562	63,928	Total comprehensive income for the financial year	49,562	63,928		As at 31/12/2018 EUR	As at 31/12/2017 EUR	Assets			Investment - designated at fair value through profit or loss	892,352,574	1,345,218,595	Loans and receivables	655,199,413	466,053,471	Derivatives	48,999,299	61,694,858	Interest receivable on investments	6,914,443	5,320,076	Other income receivable	1,149,019	552,036	Withholding tax receivable	72,512	105,498	Corporation tax receivable	16,293	-
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Element	Title		
	Cash and cash equivalents	1,767,849	1,119,470
		1,606,471,402	1,880,064,004
	Liabilities		
	Notes issued - designated as at fair value through profit or loss	798,477,275	1,343,179,343
	Notes issued - at amortised cost	655,199,413	465,214,036
	Derivatives	142,874,597	64,573,551
	Interest payable on notes issued	2,908,981	3,997,533
	Corporation tax payable	-	27,398
	Deferred income	892,538	318,127
	Expense accruals	82,379	86,376
	Other creditors	5,256,689	1,937,672
		1,605,691,872	1,879,334,036
	Net assets	779,530	729,968
	Equity		
	Share capital	40,000	40,000
	Capital contribution	337,000	337,000
	Retained earnings	402,530	352,968
	Shareholders' funds	779,530	729,968
	Statements of no significant or material adverse change		
	There has been no significant change in the financial position of the Issuer nor material adverse change in the prospects of the Issuer since 31 December 2018.		
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 been rated (P)A2 by Moody's Investor Service España, S.A. ("Moody's"). 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). <i>[Issue specific summary:</i> The Notes [have been/are expected to be][are not] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].] 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	

Element	Title	
		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). <i>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.</i>
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 is a Spanish company with legal status as a public limited company (<i>sociedad anónima</i>), with the status of a bank and is governed by the Restated Spanish Companies Act (<i>Texto Refundido de la Ley de Sociedades de Capital</i>), approved by Royal Legislative Decree 1/2010, of 2 July (<i>Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital</i>). The Guarantor is subject to special legislation for credit institutions in general, the supervision, control and regulation of the European Central Bank and, as a listed company, the regulatory supervision of the Spanish Securities Market Commission (<i>Comisión Nacional del Mercado de Valores</i>) and, as a credit institution, to Law 10/2014, of 26 June on the management, supervision and solvency of credit institutions and Royal Decree 84/2015, of 13 February, developing Law 10/2014, of 26 June, on ordination, supervision and solvency of credit institutions.
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 2018, 31 December 2017 and 31 December 2016:		

SANTANDER GROUP
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018, 2017 AND 2016
(Million of euros)

ASSETS (*)	2018	2017	2016
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEPOSITS ON DEMAND	113,663	110,995	76,454
FINANCIAL ASSETS HELD FOR TRADING	92,879	125,458	148,187
Derivatives	55,939	57,243	72,043
Equity instruments	8,938	21,353	14,497
Debt instruments	27,800	36,351	48,922
Loans and advances	202	10,511	12,725
Central banks	—	—	—
Credit institutions	—	1,696	3,221
Customers	202	8,815	9,504
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	23,495	50,891	38,145
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	10,730	—	—
Equity instruments	3,260	—	—
Debt instruments	5,587	—	—
Loans and advances	1,883	—	—
Central banks	—	—	—
Credit institutions	2	—	—
Customers	1,881	—	—

ASSETS (*)	2018	2017	2016
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	—	—	—
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	57,460	34,782	31,609
Equity instruments	—	933	546
Debt instruments	3,222	3,485	3,398
Loans and advances	54,238	30,364	27,665
Central banks	9,226	—	—
Credit institutions	23,097	9,889	10,069
Customers	21,915	20,475	17,596
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	6,477	5,766	2,025
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	121,091	—	—
Equity instruments	2,671	—	—
Debt instruments	116,819	—	—
Loans and advances	1,601	—	—
Central banks	—	—	—
Credit institutions	—	—	—
Customers	1,601	—	—
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	35,558	—	—
FINANCIAL ASSETS AVAILABLE-FOR-SALE	—	133,271	116,774
Equity instruments	—	4,790	5,487
Debt instruments	—	128,481	111,287
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	—	43,079	23,980
FINANCIAL ASSETS AT AMORTISED COST	946,099	—	—
Debt instruments	37,696	—	—
Loans and advances	908,403	—	—
Central banks	15,601	—	—
Credit institutions	35,480	—	—
Customers	857,322	—	—
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	18,271	—	—
LOANS AND RECEIVABLES	—	903,013	840,004
Debt instruments	—	17,543	13,237
Loans and advances	—	885,470	826,767
Central banks	—	26,278	27,973
Credit institutions	—	39,567	35,424
Customers	—	819,625	763,370
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	—	8,147	7,994
INVESTMENTS HELD-TO-MATURITY	—	13,491	14,468
<i>Memorandum items: lent or delivered as guarantee with disposal or pledge rights</i>	—	6,996	2,489
HEDGING DERIVATIVES	8,607	8,537	10,377
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RISK	1,088	1,287	1,481
INVESTMENTS	7,588	6,184	4,836
Joint ventures entities	979	1,987	1,594
Associated entities	6,609	4,197	3,242
ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	324	341	331
TANGIBLE ASSETS	26,157	22,974	23,286
Property, plant and equipment	24,594	20,650	20,770
For own-use	8,150	8,279	7,860
Leased out under an operating lease	16,444	12,371	12,910
Investment property	1,563	2,324	2,516
Of which leased out under an operating lease	1,195	1,332	1,567
Memorandum items: acquired in lease	98	96	115
INTANGIBLE ASSETS	28,560	28,683	29,421

ASSETS (*)	2018	2017	2016
Goodwill	25,466	25,769	26,724
Other intangible assets	3,094	2,914	2,697
TAX ASSETS	30,251	30,243	27,678
Current tax assets	6,993	7,033	6,414
Deferred tax assets	23,258	23,210	21,264
OTHER ASSETS	9,348	9,766	8,447
Insurance contracts linked to pensions	210	239	269
Inventories	147	1,964	1,116
Other	8,991	7,563	7,062
NON-CURRENT ASSETS HELD FOR SALE	5,426	15,280	5,772
TOTAL ASSETS	1,459,271	1,444,305	1,339,125

(*) See reconciliation of IAS39 as of December 31, 2017 to IFRS9 as of January 1, 2018 (see Note 1.b to the Group's consolidated financial statements). In July 2014, the IASB published IFRS9 Financial Instruments – Classification and measurement, hedging and impairment that we adopted with the subsequent amendments on 1 January 2018. As permitted by the regulation, we have chosen not to re-classify the comparative financial statements. Therefore, previous periods are not comparable. However, note 1.b to our consolidated financial statements included in Part 2 of the annual report on Form 20-F includes a reconciliation of balances as of 31 December 2017 under IAS 39 and the corresponding balances as of 1 January 2018 under IFRS9.

SANTANDER GROUP
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018, 2017 AND 2016
(Million of euros)

LIABILITIES (*)	2018	2017	2016
FINANCIAL LIABILITIES HELD FOR TRADING	70,343	107,624	108,765
Derivatives	55,341	57,892	74,369
Short positions	15,002	20,979	23,005
Deposits	—	28,753	11,391
Central banks	—	282	1,351
Credit institutions	—	292	44
Customers	—	28,179	9,996
Marketable debt securities	—	—	—
Other financial liabilities	—	—	—
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	68,058	59,616	40,263
Deposits	65,304	55,971	37,472
Central banks	14,816	8,860	9,112
Credit institutions	10,891	18,166	5,015
Customers	39,597	28,945	23,345
Marketable debt securities	2,305	3,056	2,791
Other financial liabilities	449	589	—
<i>Memorandum items: subordinated liabilities</i>	—	—	—
FINANCIAL LIABILITIES AT AMORTISED COST	1,171,630	1,126,069	1,044,240
Deposits	903,101	883,320	791,646
Central banks	72,523	71,414	44,112
Credit institutions	89,679	91,300	89,764
Customers	740,899	720,606	657,770
Marketable debt securities	244,314	214,910	226,078
Other financial liabilities	24,215	27,839	26,516
<i>Memorandum items: subordinated liabilities</i>	23,820	21,510	19,902
HEDGING DERIVATIVES	6,363	8,044	8,156
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	303	330	448
LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS	765	1,117	652
PROVISIONS	13,225	14,489	14,459
Pensions and other post-retirement obligations	5,558	6,345	6,576
Other long term employee benefits	1,239	1,686	1,712
Taxes and other legal contingencies	3,174	3,181	2,994
Contingent liabilities and commitments	779	617	459
Other provisions	2,475	2,660	2,718
TAX LIABILITIES	8,135	7,592	8,373
Current tax liabilities	2,567	2,755	2,679
Deferred tax liabilities	5,568	4,837	5,694

LIABILITIES (*)	2018	2017	2016
OTHER LIABILITIES	13,088	12,591	11,070
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	—	—	—
TOTAL LIABILITIES	1,351,910	1,337,472	1,236,426
SHAREHOLDERS' EQUITY	2018	2017	2016
	118,613	116,265	105,977
CAPITAL	8,118	8,068	7,291
<i>Called up paid capital</i>	<i>8,118</i>	<i>8,068</i>	<i>7,291</i>
<i>Unpaid capital which has been called up</i>	—	—	—
<i>Memorandum items: uncalled up capital</i>	—	—	—
SHARE PREMIUM	50,993	51,053	44,912
EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL	565	525	—
<i>Equity component of the compound financial instrument</i>	—	—	—
<i>Other equity instruments issued</i>	565	525	—
OTHER EQUITY	234	216	240
ACCUMULATED RETAINED EARNINGS	56,756	53,437	49,953
REVALUATION RESERVES	—	—	—
OTHER RESERVES	(3,567)	(1,602)	(949)
Reserves or accumulated losses in joint ventures investments	917	724	466
Others	(4,484)	(2,326)	(1,415)
(-) OWN SHARES	(59)	(22)	(7)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	7,810	6,619	6,204
(-) INTERIM DIVIDENDS	(2,237)	(2,029)	(1,667)
OTHER COMPREHENSIVE INCOME	(22,141)	(21,776)	(15,039)
ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS	(2,936)	(4,034)	(3,933)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	(19,205)	(17,742)	(11,106)
NON-CONTROLLING INTEREST	10,889	12,344	11,761
Other comprehensive income	(1,292)	(1,436)	(853)
Other items	12,181	13,780	12,614
EQUITY (*)	107,361	106,833	102,699
TOTAL LIABILITIES AND EQUITY	1,459,271	1,444,305	1,339,125
MEMORANDUM ITEMS: OFF BALANCE SHEET AMOUNTS			
Loans commitment granted	218,083	207,671	202,097
Financial guarantees granted	11,723	14,499	17,244
Other commitments granted	74,389	64,917	57,055

(*) See reconciliation of IAS39 as of December 31, 2017 to IFRS9 as of January 1, 2018 (see Note 1.b to the Group's consolidated financial statements). In July 2014, the IASB published IFRS9 Financial Instruments – Classification and measurement, hedging and impairment that we adopted with the subsequent amendments on 1 January 2018. As permitted by the regulation, we have chosen not to re-classify the comparative financial statements. Therefore, previous periods are not comparable. However, note 1.b to our consolidated financial statements included in Part 2 of the annual report on Form 20-F includes a reconciliation of balances as of 31 December 2017 under IAS 39 and the corresponding balances as of 1 January 2018 under IFRS9.

SANTANDER GROUP
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Million of euros)

	(Debit) Credit		
(*)	2018	2017	2016
Interest income	54,325	56,041	55,156
<i>Financial assets at fair value through other comprehensive income</i>	<i>4,481</i>	<i>4,384</i>	<i>4,522</i>
<i>Financial assets at amortised cost</i>	<i>47,560</i>	<i>49,096</i>	<i>48,084</i>
<i>Other interest income</i>	<i>2,284</i>	<i>2,561</i>	<i>2,550</i>
Interest expense	(19,984)	(21,745)	(24,067)
Interest income/ (charges)	34,341	34,296	31,089
Dividend income	370	384	413
Income from companies accounted for using the equity method	737	704	444
Commission income	14,664	14,579	12,943
Commission expense	(3,179)	(2,982)	(2,763)
Gain or losses on financial assets and liabilities not measured at fair value through profit or loss, net	604	404	869

(*)	(Debit) Credit		
	2018	2017	2016
<i>Financial assets at amortised cost</i>	39	—	—
<i>Other financial assets and liabilities</i>	565	—	—
Gain or losses on financial assets and liabilities held for trading, net	1,515	1,252	2,456
<i>Reclassification of financial assets at fair value through other comprehensive income</i>	—	—	—
<i>Reclassification of financial assets at amortised cost</i>	—	—	—
<i>Other gains (losses)</i>	1,515	—	—
Gains or losses on non-trading financial assets and liabilities mandatorily at fair value through profit or loss	331	—	—
<i>Reclassification of financial assets at fair value through other comprehensive income</i>	—	—	—
<i>Reclassification of financial assets at amortised cost</i>	—	—	—
<i>Other gains (losses)</i>	331	—	—
Gain or losses on financial assets and liabilities measured at fair value through profit or loss, net	(57)	(85)	426
Gain or losses from hedge accounting, net	83	(11)	(23)
Exchange differences, net	(679)	105	(1,627)
Other operating income	1,643	1,618	1,919
Other operating expenses	(2,000)	(1,966)	(1,977)
Income from assets under insurance and reinsurance contracts	3,175	2,546	1,900
Expenses from liabilities under insurance and reinsurance contracts	(3,124)	(2,489)	(1,837)
Total income	48,424	48,355	44,232
Administrative expenses	(20,354)	(20,400)	(18,737)
<i>Personnel expenses</i>	(11,865)	(12,047)	(11,004)
<i>Other general administrative expenses</i>	(8,489)	(8,353)	(7,733)
Depreciation and amortisation	(2,425)	(2,593)	(2,364)
Provisions or reversal of provisions, net	(2,223)	(3,058)	(2,508)
Impairment or reversal of impairment at financial assets not measured at fair value through profit or loss and net gains and losses from changes	(8,986)	(9,259)	(9,626)
<i>Financial assets at fair value through other comprehensive income</i>	(1)	—	—
<i>Financial assets at amortised cost</i>	(8,985)	—	—
<i>Financial assets measured at cost</i>	—	(8)	(52)
<i>Financial assets available-for-sale</i>	—	(10)	11
<i>Loans and receivables</i>	—	(9,241)	(9,557)
<i>Held-to-maturity investments</i>	—	—	(28)
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates, net	(17)	(13)	(17)
Impairment or reversal of impairment on non-financial assets, net	(190)	(1,260)	(123)
<i>Tangible assets</i>	(83)	(72)	(55)
<i>Intangible assets</i>	(117)	(1,073)	(61)
<i>Others</i>	10	(115)	(7)
Gain or losses on non-financial assets and investments, net	28	522	30
Negative goodwill recognised in results	67	—	22
Gains or losses on non-current assets held for sale not classified as discontinued operations	(123)	(203)	(141)
Operating profit/(loss) before tax	14,201	12,091	10,768
Tax expense or income from continuing operations	(4,886)	(3,884)	(3,282)
Profit from continuing operations	9,315	8,207	7,486
Profit or loss after tax from discontinued operations	—	—	—
Profit for the year	9,315	8,207	7,486
<i>Profit attributable to non-controlling interests</i>	1,505	1,588	1,282
<i>Profit attributable to the parent</i>	7,810	6,619	6,204
Earnings per share			
Basic	0.449	0.404	0.401
Diluted	0.448	0.403	0.399

(*) See further detail regarding the impacts of the entry into force of IFRS9 as of January 1, 2018 (see Note 1.b to our consolidated financial statements). In July 2014, the IASB published IFRS9 Financial Instruments – Classification and measurement, hedging and impairment that we adopted with the subsequent amendments on 1 January 2018. As permitted by the regulation, we have chosen not to re-classify the comparative financial statements. Therefore, previous periods are not comparable. However, note 1.b to our consolidated financial statements included in Part 2 of the annual report on Form 20-F includes a reconciliation of balances as of 31 December 2017 under IAS 39 and the corresponding balances as of 1 January 2018 under IFRS9.

Statements of no significant or material adverse change

There has been no significant change in the financial position of the Group (including the Guarantor) since 31 March 2019 and there has been no material adverse change in the prospects of the Guarantor since 31 December 2018.

B.19/B.13	Events impacting the Guarantor's solvency:	Capital expenditures and divestures: - Sale of the 49% stake in Wizink - Acquisition of the retail banking and private banking business of Deutsche Bank Polska S.A - Acquisition of Banco Popular Español, S.A.U. - Sale agreement of Banco Popular's real estate business - Merger by absorption of Banco Santander, S.A with Banco Popular Español, S.A.U. - Agreement with Aegeon Group as partner for several insurance services - Agreement with Santander Asset Management - Purchase of the shares to DDFS LLC in Santander Consumer USA Holding Inc. (SCUSA) - Agreement with Banque PSA Finance - Metrovacesa agreement – Merlin																												
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 2018, the Santander Group operated through 5,998 branch offices in Continental Europe, 756 branches in the United Kingdom, 5,803 branches in Latin America and 660 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</td><td>P-1</td><td>A2</td><td>Stable</td></tr><tr><td>Standard & Poor's (2)</td><td>A-1</td><td>A</td><td>Stable</td></tr><tr><td>DBRS (3)</td><td>R-1 (Medium)</td><td>A (High)</td><td>Stable</td></tr><tr><td>Scope Ratings (4)</td><td>S-1+</td><td>AA</td><td>Stable</td></tr><tr><td>GBB-Rating (5)</td><td></td><td>AA-</td><td>Stable</td></tr></table> (1) Fitch Ratings España, S.A. ("Fitch Ratings") (2) Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") (3) DBRS Ratings Limited ("DBRS") (4) Scope Ratings AG ("Scope Ratings") (5) 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	P-1	A2	Stable	Standard & Poor's (2)	A-1	A	Stable	DBRS (3)	R-1 (Medium)	A (High)	Stable	Scope Ratings (4)	S-1+	AA	Stable	GBB-Rating (5)		AA-	Stable
Rating Agency	Short	Long	Perspective																											
Fitch Ratings (1)	F2	A-	Stable																											
Moody's	P-1	A2	Stable																											
Standard & Poor's (2)	A-1	A	Stable																											
DBRS (3)	R-1 (Medium)	A (High)	Stable																											
Scope Ratings (4)	S-1+	AA	Stable																											
GBB-Rating (5)		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:]

Element	Title	
		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. 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 principal amount/[●] per Note] Issue Date: [●]

Element	Title
	Calculation Amount: [●] Maturity Date: [●] [Early Redemption Amount [(Tax)]: [●] [[% of] [per] [the Outstanding Principal Amount of the] Calculation Amount] [the fair market value of the Notes [less associated costs]]] [multiplied by the relevant FX Factor] (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 [multiplied by the relevant FX Factor]. 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 [multiplied by the relevant FX Factor] 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) Partly Paid Notes The Notes are Partly Paid Notes and the Issue Price of which will be payable in [●] instalments (each a "Part Payment Amount") on [the Issue Date and, thereafter,] [●] [in each [year/[●]]] (each a "Part Payment Date"), subject to adjustment for non-business days. [The Issuer will notify the Noteholders [not less than] [[●]/5] Business Days] prior to the relevant Part Payment Date and will give details of the account to which such payment shall be made.] If the relevant Part Payment Amount is not paid by any Noteholder, the Issuer will give notice and will redeem all the Notes by payment of the Early Redemption Amount. No interest will be paid in respect of the period from the Part Payment Date and the date on which the Notes are redeemed early. [Interest in respect of the Notes will be determined by reference to the paid-up amount in respect of each Calculation Amount from time-to-time (the "Outstanding Principal Amount"), determined in accordance with [the above] [and] [the provisions of Element C.10 below].] Early Redemption The Notes may be redeemed early for tax reasons at the Early Redemption Amount (Tax) or at the Early Redemption Amount upon the occurrence of an Administrator/Benchmark Event. "Administrator/Benchmark Event" means the Calculation Agent determines that (1) a Benchmark Modification or Cessation Event has occurred or will occur or (2) any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of a relevant Benchmark or the administrator or sponsor of a relevant Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that the Issuer or the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the relevant Benchmark to perform its or their respective obligations under the Notes or (3) it is not commercially reasonable to continue the use of Benchmark in connection with the Notes from the perspective of the Issuer or the Calculation Agent or the Issuer or the Calculation Agent will suffer an increased cost, in each case, as a result of any applicable licensing restrictions or changes in the cost of obtaining or maintaining any relevant licence (including, without limitation, where the Issuer, the Calculation Agent or any other entity is required to hold a valid licence in order to issue or perform its obligations in respect of the Notes and for any reason such licence is either not obtained, not renewed or is revoked or there is a material change in the cost of obtaining or renewing such licence) or (4) there has been an official announcement by the supervisor of the administrator and/or sponsor of a relevant Benchmark that the relevant Benchmark is no longer representative of any relevant underlying market(s). "Benchmark" means any figure which is a benchmark as defined in BMR by reference to which any amount payable or deliverable under the Notes, or the value of the Notes, is determined by reference in whole or in part, all as determined by the Calculation Agent. "Benchmark Modification or Cessation Event" means, in respect of the Benchmark any of the following: (i) any material change in such Benchmark; (ii) the permanent or indefinite cancellation or cessation in the provision of such Benchmark; or (iii) a regulator or other official sector entity prohibits the use of such Benchmark. "BMR" means the EU Benchmarks Regulation (Regulation (EU) 2016/1011), as amended from time to time. [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

Element	Title	
		[multiplied by the relevant FX Factor].] ["Optional Redemption Amount (Put)" means, in respect of a Note, [●] [%][per] Calculation Amount [multiplied by the relevant FX Factor].] ["Optional Redemption Date (Call)" means [specify date(s)] ["Optional Redemption Date (Put)" means [specify date(s)]] [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.]] [Notes to which the Specific Basis Buy-Back Provisions apply are issued for the purpose inter alia of entering into certain underlying transactions selected by the Calculation Agent from time to time (which may be subject to change and may have term(s) (or equivalent) which end on or after the Maturity Date of the Notes and/or notional amount(s) (or equivalent) that may be equal to or higher than the aggregate principal amount of the Notes). Information relating to the underlying transactions will be made available to investors by the Issuer. Upon a holder of any Note giving [not less than] [5/[●]] business days' notice to the Issuer, the Issuer may, at its sole option, buy-back such Note at a price (the Buy-Back Price) calculated by the Calculation Agent taking into consideration the market value of certain underlying transactions selected by the Issuer.] 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 Outstanding Principal Amount immediately prior to the Maturity Date][●][the Calculation Amount multiplied by an amount determined in accordance with the methodology set out below][multiplied by the relevant FX Factor]. [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]]. 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 * (Cap Percentage – (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][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]; 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 may be different from the final payout formula for the above paragraph][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:

Element	Title	
		[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]; 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 may be different from the final payout formula for the above paragraph][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][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 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 [Insert the following if a cap is not applicable] 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] (Insert the following if a cap is applicable) If a Knock-out Event has occurred:

Element	Title	
		[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: [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).] Redemption (xviii) (A) If the Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date: Constant Percentage [1]; or (B) otherwise: Constant Percentage [2] * Worst Value Redemption (xix) – Switchable (A) If the Switch Condition is satisfied: [Constant Percentage 1] [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 below paragraph]; or (B) If the Switch Condition is not satisfied: [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]. Redemption (xx) Alternate Currency (A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date] [ST Redemption Valuation Period]: [Calculation Amount*Constant Percentage 1] [specify amount and currency] [no Final Redemption Amount will be payable and Physical Delivery will apply]; or (B) Otherwise: [Calculation Amount*Constant Percentage 2] [specify amount and currency] [no Final Redemption Amount will be payable and Physical Delivery will apply]. Automatic Early Redemption If an AER Value 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)][multiplied by the relevant FX Factor] [[Calculation Amount * (100% + Final Interest Rate)][multiplied by the relevant FX Factor] If a Target Coupon 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 * (100% [+ Final Interest Rate)][multiplied by the relevant FX Factor] For these purposes: "AER Value 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] "Automatic Early Redemption Event" means the occurrence of [an AER Value Automatic Early Redemption Event] [a Target Coupon Automatic Early Redemption Event]. "Target Coupon Automatic Early Redemption Event" means the Accumulated Coupon is greater than or equal to the Target Coupon Percentage. Entitlement Amounts Where physical delivery applies the Notes will be redeemed by delivery of the Entitlement Amount

Element	Title	
		determined as follows: <i>[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]</i> 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]. <i>[Set out the relevant definitions from below, completing or, where not relevant, deleting the following provisions]</i> Definitions Please also see definitions contained in Element C.10 (Derivative component in the interest payments) <i>[or insert relevant definitions from that element here]</i> "Additional Leverage" means <i>[specify percentage]</i>. "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 <i>[specify percentage]</i>. "AER Rate" means <i>[specify rate]</i>. "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) <i>[specify rate]</i> 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 <i>[specify percentage]</i>. "AER Reference Item Rate" means <i>[specify floating rate]</i>. "AER Value" means <i>[specify other relevant term from this summary]</i>. "Barrier Percentage Strike Price" means <i>[specify percentage]</i> "Basket" means: (a) if the relevant Reference Items are Share Indices, the Share Index Basket as 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 <i>[specify percentage]</i>. "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, <i>[specify other relevant term from this summary]</i>. "Call Cap Percentage" means <i>[specify percentage]</i>. "Call Constant Percentage" means <i>[specify percentage]</i>. "Call Floor Percentage" means <i>[specify percentage]</i>. "Call Leverage" means <i>[specify percentage]</i>. "Call Spread Percentage" means <i>[specify percentage]</i>. "Call Strike Percentage" means <i>[specify percentage]</i>. "Cap Percentage[1][2]" means <i>[specify percentage]</i>. "Constant Percentage[1][2][3][4]" means <i>[specify percentage]</i>. "Coupon Airbag Percentage" means <i>[specify percentage]</i>. "Current Coupon Rate" means the Rate of Interest which would have applied to the Current Interest Period had an Automatic Early Redemption Event not occurred. "Current Day Count Fraction" means the day count fraction applicable to the Current Interest Period or the Final Interest Period, as applicable. "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 Max [Floor Percentage; Min [Constant Percentage 3 – nEDS × Loss Percentage; 0]]. "EDS Barrier Percentage" means <i>[specify percentage]</i>. "Entitlement Value" means [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: <i>[insert relevant term from this summary]</i>] [provided that the resulting amount will be multiplied by the relevant FX Factor]. 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 <i>[specify other relevant term from this summary]</i>. "Floor Lock in" means Constant Percentage [1] multiplied by the integer number resulting from the

Element	Title	
		quotient of the Coupon Lock in and Constant Percentage [1]. "Floor Percentage [1][2]" means <i>[specify percentage]</i>. "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 <i>[specify percentage]</i>. "FR Condition Level" means <i>[specify percentage, amount or number]</i>. "FR Constant Percentage" means <i>[specify percentage]</i>. "FR Floor Percentage" means <i>[specify percentage]</i>. "FR Leverage" means <i>[specify percentage]</i>. "FR MT up Rate" means: (a) <i>[insert if cap is applicable]</i>[Min [Max [FR Floor Percentage; FR Leverage * (FR Value - FR Strike Percentage)+ FR Spread]; FR Cap Percentage] + FR Constant Percentage]. (b) <i>[insert if cap is applicable]</i>[Max [FR Floor Percentage; FR Leverage * (FR Value - FR Strike Percentage)+ FR Spread + FR Constant Percentage].] "FR Rate" means <i>[specify rate]</i>. "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) <i>[specify rate]</i> 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 <i>[specify percentage]</i>. "FR Strike Percentage" means <i>[specify percentage]</i>. "FR Value" means, in respect of a [ST FR Valuation Date] or [ST FR Valuation Period], <i>[specify relevant term from this summary]</i>. "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 <i>[specify number]</i>, 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; (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

Element	Title	
		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 a 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, for each 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] in respect of such ST Valuation Date. "Put" means Max [Strike Percentage – 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 Min [Max [Strike Percentage – FR Value; 0]; 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 other relevant term from this summary][in respect of a ST Coupon Valuation Date and a Reference Item, the [specify relevant definition][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 [specify amount, percentage or number]. "Reference Item [1],[2]....[N]" means [specify asset(s) or reference base(s)]. "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, [specify number, amount or percentage]. "Strike Percentage [1][2]" means [specify percentage]. "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 Element C.16 (<i>Expiration or maturity date of the Notes</i>) below. "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]. Value Definitions "Accumulated Coupon" means, in respect of an Automatic Early Redemption Valuation Date, the sum of the values calculated for each Interest Period preceding and 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 [specify percentage]. "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.

Element	Title	
		"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 Factor" means the FX Factor Final Level divided by the FX Factor Initial Level. "FX Factor Final Level" means the $\frac{[\text{insert currency}] - [\text{insert currency}]}{[\text{the arithmetic average of the } [\text{insert currency}] - [\text{insert currency}] \text{ rates on each specified FX factor final averaging date}]}$ rate in respect of the specified FX Factor Final Valuation Date [the Settlement Price in respect of] $\frac{[\text{the relevant}] \text{ Coupon Valuation Date} - [\text{the Redemption Valuation Date}]}{[\text{the Automatic Early Redemption Valuation Date} - [\text{the relevant Observation Date}]]}$. "FX Factor Initial Level" means the $\frac{[\text{insert currency}] - [\text{insert currency}]}{[\text{the arithmetic average of the } [\text{insert currency}] - [\text{insert currency}] \text{ rates on each specified FX factor initial averaging date}]}$ rate in respect of the specified FX Factor Initial Valuation Date [the Settlement Price in respect of 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 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.

Element	Title
	"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) <i>[specify percentage]</i> [minus] [plus] [multiplied by] [divided by] the RI Value for such Reference Item in respect of such day [(minus (b) 100%)], and multiplied by (c) the FX Value] [multiplied by (b) the FX Value minus (c) 100%]. "Performance Difference" means, in respect of a ST Valuation Date, the Performance for Reference Item (k=[<i>specify</i>]) in respect of such ST Valuation Date minus the Performance for Reference Item (k=[<i>specify</i>]) in respect of such ST Valuation Date. "Performance Final" means the arithmetic average of the Periodic Performances in respect of each [ST Valuation Date] [ST Valuation Period]. "Periodic Performance" means, in respect of a [ST Valuation Date] [ST Valuation Period] and all Reference Items, the highest [RI Average Value in respect of such ST Valuation Date] [RI Value on any ST Valuation Date in such ST Valuation Period] provided that: (i) in the case of two or more equal highest [RI Average Values] [RI Values] the Calculation Agent will select any of such equal [RI Average Values] [RI Values] as the highest [RI Average Value] [RI Value] in its discretion; and (ii) where [on a ST Valuation Date] [in relation to a ST Valuation Period] (the "[Current ST Valuation Date] [Current ST Valuation Period]") a Reference Item has already been the Reference Item with the highest relevant value [on any prior ST Valuation Date] [in relation to any prior ST Valuation Period] it will not be taken into account and its [RI Average Value] [RI Value] will be ignored for the purposes of determining the Periodic Performance [on that Current ST Valuation Date] [for that Current ST Valuation Period]. "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] in respect of 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]<i>[specify]</i> 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], <i>[specify fixed rate]</i> <i>[specify floating rate]</i> [<i>+/ -</i> <i>[specify margin]</i> %] [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, [(1)] the arithmetic average of [(i)][(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 (ii) the FX Value] [divided by (b) the RI Initial Value [minus (2) 100%]]. "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 in respect of 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 <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

Element	Title	
		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 relevant Applicable Transaction Terms. "RI FX Strike Level" means, in respect of a Reference Item, [<i>specify rate</i>][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, [<i>specify price</i>] [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, [(1)][(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] [minus (2) 100%]. "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 [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]. "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 [<i>specify</i>] to and including [<i>specify</i>]. "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 [<i>specify</i>] to and including [<i>specify</i>]. "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 [<i>specify</i>] to and including [<i>specify</i>]. "Strike Date" means [<i>specify date</i>]. "Strike Day" means [<i>specify day</i>]. "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].

Element	Title
	"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 <i>[specify date]</i>. "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 <i>[specify reference entity]</i> 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 [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 <i>[specify]</i> [five] Business Days following the latest of (i) the <i>[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]</i> [or] <i>[Insert for cash settled credit linked notes: the calculation of the Final Price]</i>, (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: <i>[specify]</i> 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][<i>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</i>]]; and "C" is <i>[specify]</i>[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</i>

Element	Title	
		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. 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 "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]. <i>(The above provisions may be duplicated in case more than two Coupon Barriers apply)</i>

Element	Title
(k)	Rate of Interest (xi) – Memory Coupon If the Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date: $\text{Rate}(i) + \text{SumRate}(i)$; or Otherwise, zero.
(l)	Rate of Interest (xii) - Counter $\text{Rate}(i) * n$
(m)	Rate of Interest (xiii) - Variable Counter $\text{Rate}(n)$
(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]: $\text{Rate A}(i)$; or (B) If the Digital Coupon Condition 1 is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]: $\text{Rate B}(i)$.
(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]: $\text{Rate A}(i)$; (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]: $\text{Rate B}(i)$; and (C) Otherwise: $\text{Rate C}(i)$.
(v)	Rate of Interest (xxii) - TARN (i) In respect of each Interest Period other than the Target Final Interest Period [and provided that an Automatic Early Redemption Event has not occurred]: <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] (ii) in respect of the Target Final Interest Period [and provided that an Automatic Early Redemption Event has not occurred]: Final Interest Rate; and (iii) in respect of the Interest Period in which an Automatic Early Redemption Event occurs: Final AER Interest Rate],
(w)	Rate of Interest (xxiii) - Ratchet $\text{Min} [\text{Cap}; \text{Max} [\text{Previous Interest } (i); \text{Rate}(i)]$
(x)	Rate of Interest (xxiv) - Booster <i>(insert the following if a cap is applicable)</i> $\text{Constant Percentage} + \text{Min} [\text{Cap Percentage}; \text{Max} [\text{Floor Percentage}, \text{Booster Number} * \text{Constant Percentage 2}]]$ <i>(insert the following if a cap is not applicable)</i>

Element	Title													
		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)] (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)][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][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)"]; 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	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	
		for this paragraph (D) may be different from the final payout formula for the above payout formulae for (A), (B) and (C) respectively]. (cc) Rate of Interest (xxix) – Himalaya Max [0%; Min [Cap Percentage; Performance Final]] (dd) Rate of Interest (xxx) (A) (i) If the Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date, the relevant Fixed Best Percentage * Constant Percentage; or otherwise (ii) zero; plus (B) [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)]. (ee) Rate of Interest (xxxi) – Switchable (A) If the Switch Condition is satisfied: [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) * n] [Min [Cap Percentage; Max [Floor Percentage; Leverage*RI Value]]]; or (B) If the Switch Condition is not satisfied: [zero] [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)"] [Rate(i) * n] [Min [Cap Percentage; Max [Floor Percentage; Leverage*RI Value]]]. 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 [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 relevant term from this summary]. "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 relevant term from this summary]. "Final AER Interest Rate" means [insert one of the following:] [specify] [zero] [If capped and guaranteed:] [Target Coupon Percentage less Paid Coupon Percentage.] [If not capped or guaranteed:] [the Current Coupon Rate multiplied by the Current Day Count Fraction.] [If capped only:] [Min [Current Coupon Rate * Current Day Count Fraction; Target Coupon Percentage less Paid Coupon Percentage].] [If guaranteed only:] [Max [Current Coupon Rate * Current Day Count Fraction; Target Coupon Percentage less Paid Coupon Percentage].] "Final Interest Rate" means [insert one of the following][specify][zero]: [insert if capped and guaranteed][the AER Percentage][Target Coupon Percentage] less Paid Coupon Percentage.] [insert if not capped or guaranteed][the Final Coupon Rate multiplied by the Current Day Count Fraction.] [insert if capped only][Min [Final Coupon Rate * Current Day Count Fraction; the AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].] [insert if guaranteed only][Max [Final Coupon Rate * Current Day Count Fraction; the 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 relevant term from this summary]. "Fixed Best Percentage" means [specify percentage].

Element	Title	
		"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 (xii) - Counter", <i>[specify percentage]</i>; (b) in respect of "Rate of Interest (xiii) - Variable 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; (c) 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 <i>[Range Accrual Coupon Condition]</i><i>[Range Accrual Countdown Condition]</i> is satisfied; and (d) in respect of "Rate of Interest (xxxi) - Switchable", a number calculated as the number of ST Coupon Valuation Dates occurring in the period from, but excluding, the Issue Date to, and including, the ST Coupon Valuation Date in respect of which the Switch 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 <i>[and including]</i> the Issue Date to <i>[but excluding]</i> 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]</i><i>[each]</i><i>[the]</i><i>[Interest Period]</i>, <i>[and the final date of each such period, the "Range Period End Date"]</i>. "Rate(i) [A][B][C]" means, in respect of a <i>[ST Coupon Valuation Date]</i><i>[ST Coupon Valuation Period]</i>, <i>[specify fixed rate]</i><i>[specify floating rate]</i><i>[the Call Rate]</i><i>[the Call Spread Rate]</i><i>[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 <i>[1]</i><i>[2]</i> minus Reference Item Rate <i>[1]</i><i>[2]</i>.<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 <i>[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]]]</i> "Range Accrual Day" means <i>[an Exchange Business Day][a Scheduled Trading Day][a Business Day][an Interest Determination Date][a calendar day][an Observation Date]</i><i>[specify]</i>. "ST Coupon Valuation Date(s)" means each <i>[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]</i>. "ST Coupon Valuation Period" means <i>[the period from and including [specify] to and including [specify]][each][the][Interest Period][Range Period]</i>. 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 <i>[greater than][less than][greater than or equal to][less than or equal to]</i> the Coupon Barrier. "Coupon Barrier Condition [1][2][3][4]" means, in respect of <i>[a ST Valuation Date][a ST Valuation Period]</i>, that the Coupon Barrier Value on such <i>[ST Valuation Date][ST Valuation Period]</i>, as determined by the Calculation Agent, is <i>[greater than][less than][greater than or equal to][less than or equal to]</i> Coupon Barrier <i>[1][2][3][4]</i> <i>[but is][or is][greater than][less than][greater than or equal to][less than or equal to]</i>

Element	Title																														
	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]. "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 [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) <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> [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 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]</td><td>[specify]</td><td>[k=(n)]</td><td>[specify][%]</td><td>[specify][%]</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]	[specify]	[k=(n)]	[specify][%]	[specify][%]
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]	[specify]	[k=(n)]	[specify][%]	[specify][%]																										

Element	Title						
			<i>date</i>][Interest Payment Date Falling in <i>[specify]</i>]]	<i>date</i>][Interest Payment Date Falling in <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>
		[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].] "Switch Condition" shall be satisfied if, in respect of any ST Valuation Date, the Issuer delivers on or prior to the [●][th/st/rd] Business Day before the ST Valuation Date, or has in respect of a previous ST Valuation Date delivered, a notice to the Holders in accordance with Condition 14 (Notices) specifying that it is exercising the Switch Condition in respect of the Notes.					
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 plc trading as Euronext Dublin ("Euronext Dublin"), the Spanish fixed income securities market AIAF Mercado de Renta Fija ("AIAF") operated by Bolsas y Mercados Españoles Renta Fija, S.A.U. 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 Euronext Dublin for the Notes to be admitted to the Official List and trading on its regulated market] [Application has been made to AIAF for the Notes to be listed and admitted to trading on AIAF][●] [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. <i>[Insert description of how the value of the Notes is affected by the value of the relevant Reference Item(s).]</i>					
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 on the date(s) for valuation specified in Element C.9 (Payment Features) 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:	[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)] 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	Notes issued under the Programme may be listed and admitted to trading on the regulated market of Euronext Dublin, AIAF 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:					

Element	Title	
	be traded and for which prospectus has been published:	[Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on its regulated market][Application has been made to AIAF for the Notes to be listed and admitted to trading on AIAF][●] [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: • The Group's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions. • Exposure to UK political developments, including potential withdrawal of the UK from the European Union, could have a material adverse effect on the Group. • The Group is vulnerable to the risks of a slowdown in one or more of the economies in which it operates, as well as 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. • Risks relating to the acquisition of Banco Popular Español, S.A. • The Group is exposed to risk of loss from legal and regulatory proceedings. • The Group is subject to substantial regulation and regulatory and governmental oversight which could adversely affect the Group's business, operations and financial conditions. • The Group is subject to potential intervention by any of the Group's 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 is not 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 the Group. • 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 the Group's cost of funds. Any downgrade in the Group's credit rating would likely increase the Group's 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 the Group's interest margins and results of operations. • The credit quality of the Group's loan portfolio may deteriorate and the Group's loan loss reserves could be insufficient to cover the Group's actual loan losses, which 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 the Group's loan portfolio. • The Group is subject to counterparty risk in the Group's 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 the Group and the Group's profitability. • 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 the

Element	Title	
		Group's derivative transactions that could have a material adverse effect on the Group. • Failure to successfully implement and continue to improve the Group's risk management policies, procedures and methods, including the Group's credit risk management system, could materially and adversely affect the Group, and the Group may be exposed to unidentified or unanticipated 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. • Risks relating to data collection, processing and storage systems and security are inherent in the Group's business. • 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, including from non-traditional providers of banking services such as financial technology providers, and industry consolidation may adversely affect the Group's results of operations. • The Group's ability to maintain the Group's 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 it may not be able to manage various risks it faces as it expands the Group's 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 the Group's operations, this could have an adverse impact on the Group's profitability. • Santander Consumer USA Inc.'s ("SCUSA") financing agreement (the "Chrysler Agreement") with Fiat Chrysler Automobiles US LLC ("FCA") may not result in currently anticipated levels of growth and is subject to certain performance conditions that could result in termination of the agreement. In addition, FCA has the option to acquire an equity participation in the Chrysler Capital portion of SCUSA's business. Any of these events could have a material adverse impact on SCUSA's business, financial condition and results of operations and consequently an adverse impact on the Group. • 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 and affiliates for important products and services. • Damage to the Group's reputation could cause harm to the Group's 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. • The Group may not effectively manage risks associated with the replacement of benchmark indices. • 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. • Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud. • The Group's corporate disclosure may differ from disclosure regularly published by issuers of securities in other countries, including the United States. • Investors may find it difficult to enforce civil liabilities against the Group or the Group's directors and officers. • As a holder of ADSs you will have different shareholders' rights than do shareholders of companies incorporated in the United States and certain other jurisdictions. • ADS holders may be subject to additional risks related to holding ADSs rather than shares.
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 • The Notes bear the credit risk of the Issuer and the Guarantor • 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 • Any change in the underlying transactions or their market value may materially adversely affect the buy-back price payable in respect of Notes in relation to which the Specific Basis Buy-Back provisions apply • Investors may lose the original investment amount • In the case of Global Notes or Global Note Certificates held by or on behalf of Euroclear and Clearstream, Luxembourg or DTC, investors will have to rely on their procedure for

Element	Title	
		transfer, payment and communications with the Issuer and/or the Guarantor - 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 issued - Because Book-Entry Notes are dematerialised securities, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Issuer - U.S. dividend equivalent withholding may affect payment on the Notes - 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 and the SRM Regulation - Claims of holders under the Notes are effectively junior to those of certain other creditors - The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing any such "benchmarks" - Exchange rates will affect the calculation of the FX Factor Risk Factors Relating to Reference Item Linked Notes - General risks include interest rate, corporate market, foreign exchange, time/value and/or political risks - Fluctuations in the value of the relevant underlying will affect the value of Reference Item Linked Notes - Certain factors affect the value and trading price of Reference Item Linked Notes, including interest rates, currency exchange rates, commodity prices, liquidity, timing, creditworthiness of relevant entities and economic, financial and political events - There may be potential conflicts of interest - Hedging activities may affect the market price, liquidity or value of Reference Item Linked Notes - Transfers of Implicit Yield Notes to Spanish individuals will be null and void - Possible Illiquidity of the Secondary Market - There may be regulatory consequences for a holder of Reference Item Linked Notes - Noteholders will not obtain any rights of ownership in the Reference Item(s) - The past performance of a Reference Item is not indicative of future performance - Delivery of Reference Items in respect of Physical Delivery Notes may be postponed or cash may be paid in lieu thereof - 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 - Switchable Notes may result in materially lower investment returns - Fund Linked Notes bear the risk of cancellation or early redemption or adjustment if certain events occur and bear similar risks to a direct fund investment - Risk of automatic early redemption in respect of Equity Linked Notes - Equity Linked and Inflation Linked Notes entail varying risks depending on the structure of the Notes and are only suitable for investors who understand the risks and are familiar with the relevant markets - 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 - There may be correlation risk in the use of Equity Linked or Inflation Linked Notes as hedging instruments - Hedging transactions by the Issuer may affect the return on Reference Item Linked Notes - There are additional risks in relation to 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 - Liquidity may affect the pricing of the relevant underlying security or index on Equity Linked and Inflation Linked Note - The Issuer and the Guarantor may deal with underlying companies but do not control them - Fluctuations in the value of components of underlying securities or indices may be offset by other fluctuations and there may be exchange rate risk - Exchange rates and exchange controls may affect the value or return of the Reference Item Linked Notes

Element	Title	
		• There are additional risks in relation to emerging market currencies • Risks relating to Foreign Exchange (FX) Rate Linked Notes include the risk that the amount and timing of payments may be different than expected, that foreign exchange rates are dependent upon the supply and demand for currencies in the foreign exchange markets which are subject to economic and political factors and that there may be disruptions / postponements in the valuation of relevant rates • 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 Events and Disrupted Days may result in adjustments and/or early redemption of Notes • Risks relating to Credit Linked Notes include 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 • Investors should seek their own advice in relation to Reference Item Linked Notes Risks in Relation to Spanish Taxation • Risks related to the Spanish withholding tax regime • Investors should seek their own advice in relation to the proposed EU Financial Transaction Tax and the proposed Spanish financial transactions tax • 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. 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 [●].]
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.

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, CMS Linked Notes, Inflation Linked Notes, Equity Linked Notes, Credit Linked Notes, Foreign Exchange (FX) Rate Linked Notes or, if the Notes are Exempt Notes, commodity linked or other reference item linked notes ("**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. 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

The Notes bear the credit risk of the Issuer and the Guarantor

Holders of Notes bear the credit risk of the Issuer and 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.

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 regulated market of Euronext Dublin for the Notes to be admitted to its Official List of Euronext Dublin and trading on its regulated market or to AIAF for the Notes to be listed and admitted to trading on AIAF, 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 subscription fees, placement fees, direction fees, structuring fees and/or other additional costs 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. Any difference between the issue price and/or offer price may have an adverse effect on the value of the Notes, particularly immediately following the offer and the issue date relating to such Notes, where any such amounts, fees and costs may be deducted from the price at which such Notes can be sold by the initial investor in the secondary market. 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.

Where Notes are issued on a partly paid basis, all the Notes will be redeemed where any investor fails to pay any subsequent instalment of the issue price

The Issuer may issue Notes where the issue price is payable in more than one instalment. A failure by any investor to pay any instalment of the issue price in respect of the Notes held by such investor will result in all the Notes being redeemed even if all other investors have paid the relevant instalment.

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 specifies 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 Notes other than Inflation Linked Notes, Credit Linked Notes and Fund Linked Notes which are not linked in an ETF, 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.

Any change in the Underlying Transactions or their market value may materially adversely affect the Buy-Back Price payable in respect of Notes in relation to which the Specific Basis Buy-Back Provisions apply

If the Specific Basis Buy-Back Provisions are specified as applicable in the Applicable Transaction Terms, investors should be aware that Santander International Products plc has issued the relevant Notes for the purpose of *inter alia* entering into certain Underlying Transactions from time to time. In the event that the Notes are bought-back by the Issuer prior to their scheduled Maturity Date in accordance with the Specific Basis Buy-Back Provisions, the price of the Notes shall reflect and shall be determined taking into consideration the Market Value of such Underlying Transactions.

The Underlying Transactions will be selected from time to time by the Calculation Agent in its reasonable discretion and may be subject to change during the term of the Notes. In addition, such Underlying Transactions may have term(s) (or equivalent) which end on or after the Maturity Date of the Notes and/or notional amount(s) (or equivalent) that may be equal to or higher than the aggregate principal amount of the Notes. Information relating to the relevant Underlying Transactions will be made available to investors in accordance with the method of publication specified in the relevant Applicable Transaction Terms.

In the event that an investor requests that the Issuer buy-back any such Notes held by it prior to their maturity, and the Issuer accepts such request, the price of the Notes (the "**Buy-Back Price**") will be determined in a

commercially reasonable manner by Banco Santander, S.A., acting in its capacity as Calculation Agent, taking into consideration the Market Value of such Underlying Transactions. Any change in the Underlying Transactions and the Market Value of the Underlying Transactions may therefore materially adversely affect the Buy-Back Price payable to the relevant investor, particularly where the Underlying Transactions have term(s) which end after the Maturity Date of the Notes and/or notional amount(s) that are higher than the aggregate principal amount of the Notes.

The Specific Basis Buy-Back Provisions shall not affect the right of the investors to receive timely payments of principal and interest on the Notes. In consideration of the Issuer entering into the Underlying Transactions in relation to the Notes, the Issuer will pay an Extra Yield on the Notes.

The Specific Basis Buy-Back Provisions may apply only to Notes where Banco Santander, S.A. acts as the sole Dealer and the Calculation Agent.

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 or Global Note Certificates held by or on behalf of Euroclear and Clearstream, Luxembourg or DTC, 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 or Global Note Certificates. Such Global Notes or Global Note Certificates, 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 Euroclear and/or Clearstream, Luxembourg or registered in the name of a nominee for DTC. Except in the circumstances described in the relevant Global Note or Global Note Certificate, investors will not be entitled to receive Notes in definitive form.

Each of Euroclear, Clearstream, Luxembourg and DTC, and their respective direct and indirect participants, will maintain records of the beneficial interests in the Global Notes or International Global Note Certificates, as applicable. While the Notes are represented by one or more Global Notes or Global Note Certificates, investors will be able to trade their beneficial interests only through the relevant clearing system and their respective participants' Notes are held.

While the Notes are represented by one or more Global Notes or Global Note Certificates, the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments through the relevant clearing system. A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant clearing system and its participants 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 or Global Note Certificates.

Holders of beneficial interests in the Global Notes or Global Note Certificates 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 the relevant clearing system to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Note Certificates will not have a direct right under the Global Notes or Global Note Certificates 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 issued.

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.

Because Book-Entry Notes are dematerialised securities, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Issuer

Book-Entry Notes issued under the Programme will not be evidenced by any physical note. They will only be represented by book entries in the Spanish Central Securities Depositary (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal ("**Iberclear**")) or the Iberclear participants. Holders will be entitled to request as evidence certificates made or issued by Iberclear or Iberclear participants, as the case may be. Ownership of Book-Entry Notes will be recorded and transfer effected only through the book entry system and register maintained by Iberclear.

U.S. Dividend Equivalent Withholding

Section 871(m) of the U.S. Internal Revenue Code (the "**Code**") causes 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 (such instruments, "**Specified Securities**"). 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 – U.S. Dividend Equivalent Withholding*".

For purposes of withholding under the U.S. Foreign Account Tax Compliance Act, commonly known as FATCA, Specified Securities are subject to a different grandfathering rule than other Notes. Prospective investors should refer to the section "*Taxation – 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 (as amended, replaced or supplemented from time to time), Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 (the "**RD 1012/2015**") and Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (as amended, replaced or supplemented from time to time, the "**SRM Regulation**") and its developing regulations is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in any relevant unsound or failing credit institution, investment firm, financial institution or holding company (each a "**relevant entity**") so as to ensure the continuity of the relevant entity critical financial and economic functions, while minimising the impact of a relevant entity's failure on the economy and financial system.

In accordance with article 20 of Law 11/2015, a relevant entity 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 a relevant entity is no longer viable may depend on a number of factors which may be outside of that relevant entity'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) a relevant entity is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity 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 relevant entity 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 relevant entity to a "bridge institution" (an entity created

for this purpose that is wholly or partially in public control), which may limit the capacity of the relevant entity to meet its repayment obligations; (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 relevant entity (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims including the Notes to equity or other instruments of ownership (the "**general bail-in tool**"), which equity or other instruments could also be subject to any future write-down.

Any application of the general bail-in tool under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings. Accordingly, the impact of such application on holders of Notes will depend on their ranking in accordance with such hierarchy, including any priority given to other creditors such as depositors.

To the extent any resulting treatment of holders of Notes pursuant to the exercise of the general bail-in tool is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a holder has a right to compensation under the BRRD based on an independent valuation of the relevant entity (which is referred to as the "no creditor worse off safeguard" under the BRRD). Any such compensation is unlikely to compensate that holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the Notes.

The powers set out in the BRRD as implemented through Law 11/2015, the RD 1012/2015 and the SRM Regulation will impact how relevant entities are managed as well as, in certain circumstances, the rights of creditors. Holders of Notes may be subject to the application of the general bail-in tool and the exercise of any such powers may result in such Noteholders losing some or all of their investment. Such application could also involve modifications, including alteration of the principal amount or any interest payable on the Notes, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period, to or the disapplication of provisions in, the Terms and Conditions of the Notes. 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.

As a result, the exercise of any power under Law 11/2015 or any suggestion of such exercise could 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 and the SRM Regulation

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 and RD 1012/2015, and the SRM Regulation 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, as implemented through Law 11/2015 and RD 1012/2015, and the SRM Regulation 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 and RD 1012/2015, and the SRM Regulation. 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 BRRD 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).

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing any such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including the London interbank offered rate (**LIBOR**) and the euro interbank offered rate (**EURIBOR**) and other types of indices such as indices comprised of interest rates, equities, funds, foreign exchange rates and combinations thereof) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and mostly applies, subject to certain transitional provisions, from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Guarantor) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market

participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority (**FCA**) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcements**). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (**ESTR**) as the new risk free rate. ESTR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

In addition, the occurrence of an Administrator/Benchmark Event may cause early redemption or adjustment of the Notes which may include selecting one or more successor benchmarks and making related adjustments to the Notes, including if applicable to reflect increased costs. An Administrator/Benchmark Event may arise if any of the following circumstances occurs or may occur: (1) a benchmark is materially changed or cancelled, (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn or (3) it is not commercially reasonable to continue use of the benchmark due to licensing restrictions or increased licence costs or (4) a relevant supervisor officially announces the benchmark is no longer representative of any relevant underlying market(s).

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

Exchange rates will affect the calculation of the FX Factor

The FX Factor, where the Applicable Transaction Terms states that it applies, reflects the performance of the Specified Currency and the FX Value Reference Currency (or, where the Foreign Exchange (FX) Rate Linked Note provisions apply, the Base Currency and Subject Currency) during the life of the Notes and will be applied to the calculation of certain amounts under the Notes. An investor is therefore directly exposed to the performance of such currencies. Where such performance is adverse this may result in an overall loss to an investor.

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).

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 affect the value and trading price of Reference Item Linked Notes, including interest rates, currency exchange rates, commodity prices, liquidity, timing, creditworthiness of relevant entities and economic financial and political events

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.

There may be 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. Potential conflicts of interest may also arise in connection with an issue of

Notes, as any distributors or other entities involved in the offer and/or the listing of such Notes, will act pursuant to a mandate granted by the Issuer and can receive commissions and/or fees on the basis of the services performed in relation to such offer and/or listing.

Hedging activities may affect the market price, liquidity or value of Reference Item Linked Notes

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.

Transfers of Implicit Yield Notes other than Book-Entry Notes to or by Spanish Individuals will be null and void

The sale, transfer or acquisition of Implicit Yield Notes (as defined in Condition 8 of the "Terms and Conditions of the Notes") other than Book-Entry 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 other than Book-Entry 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 (i) recognise any Spanish Individual as an owner of Implicit Yield Notes other than as an owner of Book-Entry Notes or (ii) list any Implicit Yield Notes other than Book-Entry Notes on AIAF, 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.

Noteholders will not obtain any 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.

Delivery of Reference Items in respect of Physical Delivery Notes may be postponed or cash may be paid in lieu thereof

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 first following Settlement Business Day in respect of which there is no such 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 any Notes other than Book-Entry Notes must deliver or send to the relevant Clearing System or Principal Paying Agent (as applicable) a duly completed Asset Transfer Notice or, the Iberclear Member of any Book-Entry Notes must send a duly completed Iberclear Settlement Instruction to the Iberclear Paying Agent 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.

Switchable Notes may result in materially lower investment returns

If, in relation to a Series of Notes, interest rate payout formula "Rate of Interest (xxxi) – Switchable" applies or final payout formula "Redemption (xix)" "Switchable" applies, the Issuer has a right to exercise the Switch Condition. The Issuer may exercise this right in its sole and absolute discretion. If the Issuer exercises the Switch Condition, the way in which the interest rate payouts and/or the final payout (as applicable) are determined will change. These changes may be detrimental to investors and could result in materially lower investment returns.

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 in respect of Equity Linked Notes

In relation to certain Equity Linked Notes, Equity Linked Notes will be automatically redeemed prior to their maturity if certain conditions specified in the relevant 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 Additional 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.

There may be correlation risk in 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.

Hedging transactions by the Issuer may affect the return on Reference Item Linked Notes

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.

There are additional risks in relation to 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.

Liquidity may affect the pricing of the relevant underlying security or index on Equity Linked and Inflation Linked Note

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.

The Issuer and the Guarantor may deal with underlying companies but do not control them

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 components of underlying securities or indices may be offset by other fluctuations and there may be exchange rate risk

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.

There are additional risks in relation to 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 Linked Notes**"). Accordingly an investment in Foreign Exchange (FX) Rate Linked 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 Linked 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 "*There are additional risks in relation to 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 Linked 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 Linked 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 Events and Disrupted Days may result in adjustments and/or early redemption of 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 Additional 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 "**DC 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 DC 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.

Investors should seek their own advice in relation to taxation of Reference Item Linked Notes

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 countries where the Reference Item Linked Notes are transferred and/or where any potential reference items are delivered, or elsewhere.

The summaries set out under the heading "*Investors should seek their own advice in relation to 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

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.

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, other than income payments in respect of Book-Entry Notes to Personal Income Tax taxpayers, 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 or the Iberclear Paying Agent, as applicable, 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 income due under the above-mentioned 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. In addition, the Issuer or the Guarantor (as the case may be) will withhold Spanish withholding tax from any payment in respect of Book-Entry Notes to Personal Income Tax taxpayers.

The Agency Agreement provides that the Principal Paying Agent or the Iberclear Paying Agent, as applicable, 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, the Principal Paying Agent or the Iberclear 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. The Issuer or the Guarantor (as case may be) will not gross up payments in respect of any such withholding tax.

In addition, in the case of Implicit Yield Notes including those with a duration of more than 12 months, in order for the Issuer to reimburse them, the holders are required to provide the Issuer with the legally required certificate issued by a Spanish financial institution or established in Spain which accredits the prior acquisition of such Implicit Yield Notes and the corresponding acquisition price. In accordance with the legislation currently in force, in the case of failure to provide such certificate, the Issuer will not proceed to pay to the holder the reimbursement thereof. The Issuer or the Guarantor (as case may be) will not gross up payments in respect of any withholding tax arising from said Implicit Yield Notes.

Investors should seek their own advice in relation to the proposed Financial Transaction Tax (the "EU FTT")

The European Commission published in February 2013 a proposal (the **"Commission's Proposal"**) for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (excluding Estonia, the participating Member States). 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 EU 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 (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In the ECOFIN meeting of 17 June 2016, the EU FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an FTT by the so-called enhanced cooperation process.

The proposed Directive defines how the EU FTT would be implemented in participating Member States. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate.

On 3 December 2018, the finance ministers of France and Germany outlined a joint proposal for a limited FTT based on a system already in place in France. Under the new proposal, the tax obligation would apply only to transactions involving shares issued by domestic companies with a market capitalisation of over €1 billion.

However, the Commission's Proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or participating Members States may withdraw.

At the ECOFIN Council meeting of 14 June 2019, a state of play of the work on the FTT was presented on the basis of a note prepared by Germany on 7 June 2019 indicating a consensus among the participating Member States (excluding Estonia) to continue negotiations on the basis of a joint French-German proposal based on the French financial transactions tax model which in principle would only concern shares of listed companies whose head office is in a Member State of the European Union. However, such proposal is still subject to change until a final approval.

Prospective investors are advised to seek their own professional advice in relation to the FTT.

Investors should seek their own advice in relation to the proposed Spanish financial transactions tax

On 18 January 2019, the Spanish Council of Ministers approved a draft bill (the "**Draft Bill**"), according to which, due to the delay in the EU FTT being approved, the intention is to implement a Spanish financial transactions tax (the "**Spanish FTT**"). However, the Spanish Council of Ministers stated that Spain will continue to participate in the enhanced co-operation for the approval of the EU FTT and, if finally approved, Spain will adapt the Spanish FTT to align it with the EU FTT.

According to the Draft Bill, the Spanish FTT is to be aligned with the French and Italian financial transactions taxes. Specifically, it is proposed that a Spanish FTT, at a rate of 0.2%, would apply to certain acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction.

The Draft Bill was sent to Parliament for debate and approval. However, early general elections were called for 28 April 2019 and the legislative process was suspended.

On 30 April 2019, the interim Government (headed by the centre-left party PSOE) submitted to the European Commission the "Update of the Stability Programme 2019-2022" (*Actualización del Programa de Estabilidad 2019-2022*). This report is not equivalent to a draft law but it includes the economic projections for 2019-2022 and confirms the intention of the new Government to approve the Spanish FTT, stating that "the creation of the Tax on Financial Transactions will be relaunched". The income derived from the Spanish FTT in the report is included in the economic projections for 2020 and not for 2019.

However, the parliamentary process to approve the Spanish FTT law will need to be reinitiated once the new Parliament and the new Government are formed and the new Government once more sends the Draft Bill to Parliament for final approval. As a result, some of the proposed measures could be substantially modified (or even abandoned) during the legislative process. While, according to the current drafting of the Draft Bill, the Spanish FTT would not apply in relation to an issue of Notes under the Programme, there can be no assurance that any such Spanish FTT would not apply to an issue of Notes in the future.

Prospective investors are advised to seek their own professional advice in relation to the Spanish FTT.

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.

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**" and references to "**we**", "**us**" or "**our**" should be construed as references to 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. Macro-Economic and Political Risks

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

Our loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. At 31 December 2018, Continental Europe accounted for 43% of our total loan portfolio (Spain accounted for 23% of our total loan portfolio), the United Kingdom (where the loan portfolio consists primarily of residential mortgages) accounted for 29%, Latin America accounted for 17% (of which Brazil represents 8% of our total loan portfolio) and the United States accounted for 10%. Accordingly, the recoverability of these loan portfolios in particular, and our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. In addition, we are exposed to sovereign debt in these regions. 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 we operate or the United States, would likely have a significant adverse impact on our loan portfolio and sovereign debt holdings and, as a result, on our financial condition, cash flows and results of operations.

Our revenues are also subject to risk of loss from unfavourable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies.

The economies of some of the countries where we operate have been affected by a series of political events, including the UK's vote to leave the EU in June 2016 and the UK's subsequent negotiations with the EU, which are causing significant volatility (for more information, see the risk factor 1.2 entitled 'Exposure to UK political developments, including the potential withdrawal of the UK from the European Union, could have a material adverse effect on the Group'). In 2017, the Catalan region experienced several social and political movements calling for the region's secession from Spain. As of the date of this report, there is still uncertainty regarding the outcome of political and social tensions in Catalonia, which could result in potential disruptions in business, financing conditions or the environment in which we operate in the region and in the rest of Spain. In addition, the tensions in 2018 between the Italian government and the EU over Italy's fiscal policy and budget have contributed to increase instability. Continued or worsening political conflicts in the EU could have a negative impact on the economies of the EU and consequently could have a material adverse effect on our business, results of operations, financial condition and prospects. There can be no assurance that the European and global economic environments will not continue to be affected by political developments.

The economies of some of the countries where we operate, 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 we lend. In addition, some of the countries where we operate 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 our profitability by causing lending margins to decrease and credit quality to decline and leading to decreased demand for higher margin products and services. Brazil and Mexico held presidential elections in October 2018 and July 2018, respectively. As a result of these elections, both countries have changed their governments. We cannot predict which policies the new presidents may adopt or change during their mandate or the effect that any such policies might have on our business and on Brazilian and Mexican economies. Any such new policies or changes to current policies may have a material adverse effect on us. As of 31 December 2018, Latin America contributed 21% of the Group assets and 43% of the total operating areas' underlying profit attributable to the parent.

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. 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.

Our earnings are affected by global and local economic and market conditions. There is a rise in protectionism, including as may be driven by populist sentiment and structural challenges facing developed economies. This rise could contribute to weaker global trade, potentially affecting our traditional lines of business. In addition, there is the potential for changes in immigration policies in multiple jurisdictions around the world, including the United States. Growing protectionism and restrictions on immigration could have a negative impact on the economies of the countries where we operate, which would also impact our operating results, financial condition and prospects.

Exposure to UK political developments, including the potential withdrawal of the UK from the European Union, could have a material adverse effect on the Group.

On 23 June 2016, the UK held a referendum (the "**UK EU Referendum**") on its membership of the EU, in which a majority voted for the UK to leave the EU. Immediately following the result, the UK and global stock and foreign exchange markets commenced a period of significant volatility, including a steep devaluation of the pound sterling. There remains significant uncertainty relating to the UK's exit from, and future relationship with, the EU and the basis of the UK's future trading relationship with the rest of the world.

On 29 March 2017, the UK Prime Minister gave notice under Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the EU. The delivery of the Article 50(2) notice triggered a two year period of negotiation to determine the terms on which the UK will exit the EU and framework for the UK's future relationship with the EU. Unless extended, the UK's EU membership will cease after this two year period. On 21 March 2019, this period of negotiation was extended, and, unless a further extension is granted, the UK's EU membership will now cease on 12 April 2019 (if the Withdrawal Agreement is not ratified by the UK Parliament) or on 22 May 2019 (if the Withdrawal Agreement is ratified by the UK Parliament).

There is a possibility that the UK's EU membership ends at such time without reaching any agreement on the terms of its relationship with the EU going forward, and currently the Withdrawal Agreement, which provides for a transitional period whilst the Future Relationship is negotiated, has not been ratified by the UK Parliament.

A general election in the UK was held on 8 June 2017 (the "**General Election**"). The General Election resulted in a hung parliament with no political party obtaining the majority required to form an outright government. On 26 June 2017 it was announced that the Conservative party had reached an agreement with the Democratic Unionist Party (the "**DUP**") in order for the Conservative party to form a minority government with legislative support ('confidence and supply') from the DUP. There is an ongoing possibility of an early general election ahead of 2022 and of a change of government.

The continuing uncertainty surrounding the Brexit outcome has had an effect on the UK economy, particularly towards the end of 2018, and this may continue into 2019. Consumer and business confidence indicators have continued to fall (for example, the GfK consumer confidence index fell to -14 in January 2019) and this has had a significant impact on consumer spending and investment, both of which are vital components of economic growth.

The outcome of Brexit remains unclear, however, a "no-deal" Brexit continues to remain a possibility and the consensus view is that this would have a negative impact on the UK economy, affecting its growth prospects, based on scenarios put forward by such institutions as the Bank of England, the UK Government and other economic forecasters.

While the longer term effects of the UK's imminent departure from the EU are difficult to predict, there is short term political and economic uncertainty. The Governor of the Bank of England warned that the UK exiting the EU without a deal could lead to considerable financial instability, a very significant fall in property prices, rising unemployment, depressed economic growth, higher inflation and interest rates. The Governor also warned that the Bank would not be able to apply interest rate reductions. This could inevitably affect the UK's attractiveness as a global investment centre, and would likely have a detrimental impact on UK economic growth.

If a "no-deal" Brexit did occur, it would be likely that economic growth would slow significantly, and there could be severe adverse economic effects.

The UK's imminent departure from the EU has also given rise to further calls for a second referendum on Scottish independence and has raised questions over the future status of Northern Ireland. These developments, or the perception that they could occur, could have a material adverse effect on economic conditions and the stability of financial markets in the UK, and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets in this country.

Asset valuations, currency exchange rates and credit ratings may be particularly subject to increased market volatility if the negotiation of the UK's exit from the EU continues in the run-up to 12 April 2019 (or such other date specified in any further extension of the Article 50(2) negotiation period) as a result of Parliament's non-ratification of the Withdrawal Agreement. The major credit rating agencies changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum, and remains the same.

In addition, our business in the UK is subject to substantial EU-derived regulation and oversight. Although legislation has been passed transferring the EU *acquis* into UK law, there remains significant uncertainty as to the respective legal and regulatory environments in which Santander UK and its subsidiaries will operate when the UK is no longer a member of the EU, and the basis on which cross-border financial business will take place after the UK leaves the EU.

Operationally, Santander UK and other financial institutions may no longer be able to rely on the European passporting framework for financial services and it is unclear what alternative regime may be in place following the UK's departure from the EU. This uncertainty, and any actions taken as a result of this uncertainty, as well as new or amended rules, may have a significant impact on our operating results, financial condition and prospects.

Ongoing uncertainty within the UK Government and Parliament, including the rejection of the Withdrawal Agreement by the House of Commons, and the risk that this results in the Government falling could cause significant market and economic disruption, which could have a material adverse effect on our operations, financial condition and prospects.

Continued ambiguity relating to the UK's withdrawal from the EU, along with any further changes in government structure and policies, may lead to further market volatility and changes to the fiscal, monetary and regulatory landscape in which Santander UK operates and could have a material adverse effect on us, including our ability to access capital and liquidity on financial terms acceptable to us and, more generally, on our operating results, financial condition and prospects.

As of 31 December 2018, UK contributed 24% of the Group assets and 14% of the total operating areas' underlying profit attributable to the parent.

The Group is vulnerable to the risks of a slowdown in one or more of the economies in which it operates, as well as disruptions and volatility in the global financial markets.

Global economic conditions deteriorated significantly between 2007 and 2009, and many of the countries in which we operate fell into recession. Although most countries have recovered, 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 were runs on deposits at several financial institutions, numerous institutions sought additional capital or were assisted by governments, and many lenders and institutional investors reduced or ceased providing funding to borrowers (including to other

financial institutions). In the European Union the principal concern today is the risk of slowdown of activity, because the tax and financial integration, although not completed, has limited an individual country's ability to address potential economic crises with its own fiscal and monetary policies.

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

- Reduced demand for our products and services.
- Increased regulation of our industry. Compliance with such regulation will continue to increase our costs and may affect the pricing for our products and services, increase our conduct and regulatory risks related to non-compliance and limit our ability to pursue business opportunities.
- Inability of our borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of our retail customers and may adversely affect the recoverability of our retail loans, resulting in increased loan losses.
- The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process and the sufficiency of our loan loss allowances.
- The value and liquidity of the portfolio of investment securities that we hold may be adversely affected.
- Any worsening of global economic conditions may delay the recovery of the international financial industry and impact our financial condition and results of operations.

Despite recent improvements in certain segments of the global economy, uncertainty remains concerning the future economic environment. Such economic uncertainty could have a negative impact on our business and results of operations. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on us and on others in the financial services industry.

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

If all or some of the foregoing risks were to materialize, this could have a material adverse effect on our financing availability and terms and, more generally, on our results, financial condition and prospects.

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

Conditions in the capital markets and the economy generally in the eurozone showed signs of fragility and volatility, with political tensions in Europe being particularly heightened in the past three years. In addition, interest rate spreads among eurozone countries affected government funding and borrowing rates in those economies. A reappearance of political tensions in the eurozone could have a material adverse effect on our operating results, financial condition and prospects.

The UK EU referendum and subsequent negotiations and causing significant volatility in the global stock and foreign exchange markets. On 27 October 2017, a Spanish region (Catalonia) declared independence from Spain resulting in subsequent intervention by the Spanish Government and causing political, social and economic instability in this region. In 2018, conflicts between the EU and Italy regarding fiscal policy have also contributed to increase instability. Following these events, the risk of further instability in the eurozone cannot be excluded.

In the past, the European Central Bank (ECB) and European Council have taken actions with the aim of reducing the risk of contagion in the eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone (and other) nations, which may be 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 adversely affected, with wider possible adverse consequences for global financial market conditions. Our net exposure to sovereign debt at 31 December 2018 amounted to 138,901 million euros (9.5% of our total assets at that date) of which the main exposures relate to Spain, Poland and the United Kingdom with net exposure of 49,640 million euros (of which 27,078 million euros were financial assets at fair value through other comprehensive income), 11,229 million euros and 10,869 million, respectively. The risk of returning to fragile, volatile and political tensions exists if current ECB policies in place to control the crisis are normalized, the reforms aimed at improving productivity and competition do not progress, the closing of the bank union and other measures of integration is not deepened or anti-European groups succeed.

We have direct and indirect exposure to financial and economic conditions throughout the eurozone economies. Concerns relating to sovereign defaults or a partial or complete break-up of the European Monetary Union, including potential accompanying redenomination risks and uncertainties, still exist in light of the political and economic factors mentioned above. 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 our operating results, financial position and prospects.

Risks Relating to The Group's Business

Risks relating to the acquisition of Banco Popular

*The acquisition of Banco Popular S.A. ("**Banco Popular**") (the "**Acquisition**") could give rise to a wide range of litigation or other claims being filed that could have a material adverse effect on us.*

The Acquisition took place in execution of the resolution of the Steering Committee of the Spanish banking resolution authority ("**FROB**") of 7 June 2017, adopting the measures required to implement the decision of the European banking resolution authority (the Single Resolution Board or "**SRB**"), in its Extended Executive Session of 7 June 2017, adopting the resolution scheme in respect of Banco Popular, in compliance with article 29 of Regulation (EU) No. 806/2014 of the European Parliament and Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (the "**FROB Resolution**").

Pursuant to the aforesaid FROB Resolution, (i) all of the ordinary shares of Banco Popular outstanding prior to the date of that decision were immediately cancelled to create a non-distributable voluntary reserve, (ii) a capital increase was effected with no preemptive subscription rights, to convert all of Banco Popular's Additional Tier 1 capital instruments into shares of Banco Popular, (iii) the share capital was reduced to zero euros through the cancellation of the shares derived from the conversion described in point (ii) above to create a non-distributable voluntary reserve, (iv) a capital increase with no preemptive subscription rights was effected to convert all of Banco Popular's Tier 2 regulatory capital instruments into Banco Popular shares, and (v) all Banco Popular shares deriving from the conversion described in point (iv) above were acquired by Banco Santander for a total consideration of one euro (€1).

Since Banco Popular's declaration of resolution, the cancellation and conversion of its capital instruments, and the subsequent transfer to Banco Santander of the shares resulting from that conversion through the resolution tool of selling the entity's business, all under the rules of the single resolution framework indicated above, have no precedent in Spain or in any other EU member state, appeals against the FROB's decision cannot be ruled out, nor can claims against Banco Popular, Banco Santander or other entities of the Group derived from or related to the Acquisition. Various investors, advisors or financial institutions have announced their intention to explore, and, in some cases, have already filed various claims relating to the Acquisition. As to those possible appeals or claims, it is not possible to anticipate the specific demands that might be made, or their financial impact (particularly as any such claims may not quantify their demands, may make new legal interpretations or may involve a large number of parties). The success of those appeals or claims could affect the Acquisition, including the payment of indemnification or compensation or settlements, and in any of those events have a material adverse effect on the results and financial condition of the Group. The estimated cost of potential compensations to Banco Popular shareholders recorded in the 2017 financial statements amounted to 680 million euros, of which 535 million euros were applied to the fidelity action.

It is also possible that, as a result of the Acquisition, Banco Popular, its directors, officers or employees and the entities controlled by Banco Popular may be the subject of claims, including, but not limited to, claims derived

from investors' acquisition of Banco Popular shares or capital instruments prior to the FROB Resolution (including specifically, but also not limited to, shares acquired in the context of the capital increase with preemptive subscription rights effected in 2016), which could have a material adverse effect on the results and financial condition of the Group. In this regard, on 3 April 2017, Banco Popular submitted a material fact (hecho relevante) to the *Comisión Nacional del Mercado de Valores* (the "CNMV" or "**Spanish Securities Market Commission**") reporting some corrections that its internal audit unit had identified in relation to several figures in its financial statements for the year ended 31 December 2016. The board of directors of Banco Popular, being responsible for said financial statements, considered that, following a report of the audit committee, the circumstances did not represent, on an individual basis or taken as a whole, a significant impact that would justify the restatement of Banco Popular's financial statements for the year ended 31 December 2016. Notwithstanding the foregoing, Banco Popular is exposed to possible claims derived from the isolated items identified in the aforesaid material fact or others of an analogous nature, which, if they were to materialize and be upheld, could have a material adverse effect on the results and financial condition of the Group.

The Acquisition might fail to provide the expected results and profits and might expose us to unforeseen risks.

Banco Santander decided to make an offer to acquire Banco Popular because it believed, based on the public information available about Banco Popular and other information to which it had limited access for a short period of time, that the Acquisition would generate a series of synergies and benefits for the Group, resulting from the implementation of business management and operating models that are more efficient in terms of costs and income. Banco Santander may have overvalued those synergies, or they may fail to materialize, which could also have a material adverse effect on the Group. The risk analysis and assessment done prior to the Acquisition was based on available public information and remaining non-material information that was provided in the aforesaid review process. Banco Santander did not independently verify the accuracy, veracity or completeness of that information. It cannot be ruled out that the information provided by Banco Popular to the market or to Banco Santander might contain errors or omissions, nor can Banco Santander, in turn, guarantee that that information is accurate and complete. Therefore, some of the valuations used by Banco Santander as the basis of its acquisition decision may have been inaccurate, incomplete or out of date. Likewise, and given the specific features and urgency of the process through which Banco Santander acquired Banco Popular, no representations or warranties were obtained regarding Banco Popular's assets, liabilities and business in general, other than those relating to the ownership of the shares acquired. Banco Santander could still find damaged or impaired assets, unknown risks or hidden liabilities, or situations that are currently unknown and that might result in material contingencies or exceed the Group's current estimates, and those circumstances are not hedged or protected under the terms of the Acquisition, which, were they to materialize, might have a material adverse effect on the Group's results and financial condition.

On 24 April 2018, we announced that the boards of directors of Banco Santander, S.A. and Banco Popular Español, S.A.U. had agreed to an absorption of Banco Popular by Banco Santander. The legal absorption was effective on 28 September 2018. The integration of Banco Popular and its group of companies into the Group is difficult and complex and the costs, profits and synergies derived from that integration may not be in line with expectations. For example, Banco Santander might have to face difficulties and obstacles as a result of, among other things, the need to integrate, or even the existence of conflicts between the operating and administrative systems, and the control and risk management systems at the two banks, or the need to implement, integrate and harmonize different procedures and specific business operating systems and financial, information and accounting systems or any other systems of the two groups; and have to face losses of customers or assume contract terminations with various counterparties and for various reasons, which might determine the need to costs or losses of income that are unexpected or in amounts higher than anticipated. Similarly, the integration process may also cause changes or redundancies, especially in the Group's business in Spain and Portugal, as well as additional or extraordinary costs or losses of income that make it necessary to make adjustments in the business or in the resources of the entities. All these circumstances could have a material adverse effect on the results and financial condition of the Group.

The integration of Banco Popular and its consequences could require a great deal of effort from Banco Santander and its management team.

The integration of Banco Popular into the Group requires a great deal of dedication and attention from Banco Santander's management and staff, which could restrict its resources or prevent them from carrying out the Group's business activities, and this could negatively impact its results and financial situation.

A number of individual and class actions have been brought against Banco Popular in relation to floor clauses ("cláusulas suelo"). If the cost of these actions is higher than the provisions made, this could have a material adverse impact on our results and financial situation.

Floor clauses ("cláusulas suelo") are clauses whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate. Banco Popular has included floor clauses in certain asset operations with customers.

The estimates for these provisions and the estimate for maximum risk associated with the aforementioned floors clauses as described in note 25 to our consolidated financial statements included in Part 2 of the annual report on Form 20-F were made by Banco Popular based on hypotheses, assumptions and premises it considered to be reasonable. However, these estimates may not be complete, may not have factored in all customers or former customers that could potentially file claims, the most recent facts or legal trends adopted by the Spanish and European courts, or any other circumstances that could be relevant for establishing the impact of floor clauses for Banco Popular and its group or the successful outcome of the claims filed in relation to these floor clauses. Consequently, the provisions made by Banco Popular or the estimate for maximum risk could prove to be inadequate, and may have to be increased to cover the impact of the different actions being processed in relation to floor clauses or to cover additional liabilities, which could lead to higher costs for the entity. This could have a material adverse effect on the Group's results and financial situation.

At 31 December 2018 we considered that the maximum risk associated with the floor clauses applied in its contracts with consumers, in the most severe and not probable scenario, would amount to approximately 900 million euros, as initially measured and without considering the returns performed. After the purchase of Banco Popular, 357 million euros provisions have been used by the Group (238 million euros in 2017 and 119 million euros in 2018) mainly for refunds as a result of the extrajudicial process. As of 31 December 2018, the amount of the Group's provisions in relation to this matter amounts to 104 million euros which covers the probable risk.

Legal, Regulatory and Compliance Risks to Our Business Model

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

We face risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject us to monetary judgments, regulatory enforcement actions, fines and penalties. The current regulatory and tax enforcement environment in the jurisdictions in which we operate 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.

We are from time to time subject to regulatory investigations and civil and tax claims, and party to certain legal proceedings incidental to the normal course of our business, including in connection with conflicts of interest, lending securities and derivatives activities, relationships with our employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of investigation or discovery, we cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The amount of our reserves in respect of these matters is substantially less than the total amount of the claims asserted against us, and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us. As a result, the outcome of a particular matter may be material to our operating results for a particular period. As of 31 December 2018, we had provisions for taxes, other legal contingencies and other provisions for 5,649 million euros. See more information in note 25.d) to our consolidated financial statements included in Part 2 of the annual report on Form 20-F.

The Group is subject to substantial regulations and regulatory and governmental oversight which could adversely affect the Group's business, operations and financial conditions.

As a financial institution, we are subject to extensive regulation, which materially affects our businesses. In Spain and other jurisdictions where we operate, there is continuing political, competitive and regulatory scrutiny of the banking industry. Political involvement in the regulatory process, in the behaviour and governance of the banking sector and in the major financial institutions in which the local governments have a direct financial interest and in their product and services, and the prices and other terms they apply to them, is likely to continue. Therefore, the statutes, regulations and policies to which we are subject may be therefore changed at any time.

In addition, the interpretation and the application by regulators of the laws and regulations to which we are subject may also change from time to time. Extensive legislation and implementing regulation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect our business, including Spain, the United States, the European Union, the UK, Latin America and other jurisdictions, and further 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 regulations are implemented inconsistently in the various jurisdictions in which we operate, we may face higher compliance costs. Any legislative or regulatory actions and any required changes to our business operations resulting from such legislation and regulations, as well as any deficiencies in our compliance with such legislation and regulation, could result in significant loss of revenue, limit our ability to pursue business opportunities in which we might otherwise consider engaging and provide certain products and services, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, impose additional compliance and other costs on us or otherwise adversely affect our businesses. In particular, legislative or regulatory actions resulting in enhanced prudential standards, in particular with respect to capital and liquidity, could impose a significant regulatory burden on the Bank or on its bank subsidiaries and could limit the bank subsidiaries' ability to distribute capital and liquidity to the Bank, thereby negatively impacting the Bank. Future liquidity standards could require the Bank to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the Bank's regulatory and supervisory authorities, periodically review the Bank's allowance for loan losses. Such regulators may require the Bank to increase its allowance for loan losses or to recognize further losses. Any such additional provisions for loan losses, as required by these regulatory agencies, whose views may differ from those of the Bank's management, could have an adverse effect on the Bank's earnings and financial condition. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect us.

The wide range of regulations, actions and proposals which most significantly affect us, or which could most significantly affect us in the future, relate to capital requirements, funding and liquidity and development of a fiscal and banking union in the EU, which are discussed in further detail below. Moreover, there is uncertainty regarding the future of financial reforms in the United States and the impact that potential financial reform changes to the U.S. banking system may have on ongoing international regulatory proposals. In general, regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase the Group's operating costs and negatively impact the Group's business model. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an *ad hoc* basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as us that are deemed to be a global systemically important institution ("**G-SII**").

The main regulations and regulatory and governmental oversight that can adversely impact us include but are not limited to the following:

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 (Regulation (EU) No 575/2013) ("**CRR**") and the Capital Requirements Directive (Directive 2013/36/EU) ("**CRD IV**"), through which the EU began implementing the Basel III capital reforms from 1 January 2014. While the CRD IV required national transposition, the CRR was 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 either. The implementation of the CRD IV into Spanish law has taken place through Royal Decree Law 14/2013 and Law 10/2014, Royal Decree 84/2015, Bank of Spain Circular 2/2014 and Bank of Spain Circular 2/2016. 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, the CRD IV also introduced five new capital buffer requirements that must be met with CET1 capital: (1) the capital conservation buffer for unexpected losses, requiring additional CET1 of up to 2.5% of total risk weighted assets; (2) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may require as much as additional CET1 capital of 2.5% of total risk weighted assets or higher pursuant to the requirements set by the

competent authority; (3) the G-SIIs buffer requiring additional CET1 of between 1% and 3.5% of risk weighted assets; (4) the other systemically important institutions buffer, which may be as much as 2% of risk weighted assets; and (5) the CET1 systemic risk buffer to prevent systemic or macro prudential risks of at least 1% of risk weighted assets (to be set by the competent authority). Entities are 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 G-SIIs buffer and the other systemically important institutions buffer, in each case as applicable to the institution). At 31 December 2018 Banco Santander, S.A. has a phase-in CET1 capital ratio of 11.47% and a phase-in total capital ratio of 14.98%.

As at the date of this Base Prospectus, the Bank is required to maintain a conservation buffer of additional CET1 capital of 2.5% of risk weighted assets, a G-SII buffer of additional CET1 capital of 1% of risk weighted assets and a counter-cyclical capital buffer of additional CET1 capital of 0.02% of risk weighted assets.

Article 104 of the CRD IV, 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 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 and any applicable capital buffer, 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 the 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 (including restrictions on discretionary payments), which, in turn, may have a material adverse impact on the Group's results of operations.

The European Central Bank clarified in its "Frequently asked questions on the 2016 EU-wide stress test" (July 2016) that the institution specific Pillar 2 capital will consist of two parts: Pillar 2 requirement and Pillar 2 guidance. Pillar 2 requirements are binding and breaches can have direct legal consequences for banks, while Pillar 2 guidance is not directly binding and a failure to meet Pillar 2 guidance does not automatically trigger legal action, even though the ECB expects banks to meet Pillar 2 guidance. Following this clarification, and the ones contained in the "EBA Pillar 2 Roadmap" (April 2017), it is understood that the Pillar 2 guidance is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the "Maximum Distributable Amount" (the "**MDA**").

The ECB is required to carry out, at least on an annual basis, assessments under the 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**") and accordingly requirements may change from year to year. 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 the 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 Pillar 2 capital requirements implemented on 1 January 2016. Under these guidelines, national supervisors must set a composition requirement for the Pillar 2 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 Pillar 1 capital requirement and to the additional Pillar 2 capital requirement. Therefore capital buffers would be the first layer of capital to be eroded pursuant to the applicable stacking order, as set out in the "Opinion of the EBA on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16 December 2015. In this regard, under Article 141 of the CRD IV, Member States of the EU must require that an institution that fails 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 as payments relating to CET1, variable remuneration and payments on Additional Tier 1 capital instruments), 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 MDA 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. Furthermore, pursuant to the European Commission's Proposals (as defined below) amending the CRR and the BRRD, the calculation of the MDA, as well as consequences of, and pending, such calculation could also take place as a result of the breach of MREL (as defined below) and a breach of the minimum leverage ratio requirement.

In connection with this, the Issuer announced on 14 February 2019 that it had received from the ECB its decision regarding prudential minimum capital requirements as of 1 March 2019, following the results of SREP. The ECB decision requires the Bank to maintain a CET1 capital ratio of at least 9.7% on a consolidated basis. This 9.7% capital requirement includes: the minimum Pillar 1 requirement (4.5%); the Pillar 2 requirement (1.5%); the capital conservation buffer (2.5%); the requirement deriving from its consideration as a G-SII (1.0%) and the counter-cyclical buffer (0.02%). The ECB decision also requires that the Issuer maintains a CET1 capital ratio of at least 8.6% on an individual basis. Taking into account the Bank's consolidated and individual current capital levels, these capital requirements do not imply any limitations on distributions in the form of dividends, variable remuneration and payments to holders of the Issuer's AT1 instruments.

In addition to the above, the CRR also includes a requirement for institutions to calculate a leverage ratio ("**LR**"), 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 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 has been tested during a monitoring period until the end of 2017 although the Basel Committee had already proposed the final calibration at 3% Tier 1 LR. Accordingly, the CRR does not currently contain a requirement for institutions to have a capital requirement based on the LR though prospective investors should note the European Commission's Proposals amending the CRR which contain a binding 3% Tier 1 LR requirement, that would be added to the own funds requirements in article 92 of the CRR, and which institutions must meet in addition to their risk-based requirements. Though, the full implementation of the LR is currently under consultation as part of the proposals, under the latest Presidency compromise proposals of the Council of the European Union, any breach of this leverage ratio could also result in a requirement to determine the MDA and restrict discretionary payments to such MDA, as well as the consequences of, and pending, such calculation as specified above. Moreover, the potential for the introduction of a LR buffer for G-SIIs at some point in the future is also noted in the proposals.

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 G-SIIs such as the Bank. The final standard consists of an elaboration of the principles on loss absorbing and recapitalisation capacity of G-SIIs 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-SIIs. Once implemented in the relevant jurisdictions, these principles and terms will form a new minimum TLAC standard for G-SIIs, and in the case of G-SIIs with more than one resolution group, each resolution group within the G-SII. The FSB will undertake a review of the technical implementation of the TLAC principles and term sheet by the end of 2019. The TLAC principles and term sheet establish a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16% of risk weighted assets as of 1 January 2019 and 18% as of 1 January 2022, and (b) 6% of the Basel III Tier 1 leverage ratio exposure measure as of 1 January 2019, and 6.75% as of 1 January 2022. Under the FSB TLAC standard, capital buffers stack on top of TLAC.

Furthermore, Article 45 of the European Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("**BRRD**") provides that Member States shall ensure that institutions meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**"). The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The EBA was in charge of drafting regulatory technical standards on the criteria for determining MREL (the "**MREL RTS**"). On 3 July 2015 the EBA published the final draft MREL RTS. In application of Article 45(2) of the BRRD, the current version of the MREL RTS is set out in a Commission Delegated Regulation (EU) No. 2016/1450 that was adopted by the Commission on 23 May 2016 (the "**MREL Delegated Regulation**").

The MREL requirement was scheduled to come into force by January 2016. However, article 8 of the MREL Delegated Regulation gave discretion to resolution authorities to determine appropriate transitional periods to each institution.

The European Commission committed to review the existing MREL rules with a view to provide full consistency with the TLAC standard by considering the findings of a report that the EBA is required to provide to the European Commission under Article 45(19) of the BRRD. On 14 December 2016, the EBA published its final report on the implementation and design of the MREL framework where it stated that, although there was no need to change the key principles underlying the MREL Delegated Regulation, certain changes would be necessary with a view to improve the technical soundness of the MREL framework and implement the TLAC standard as an integral component of the MREL framework. On 16 January 2019, the SRB published its second policy statement on MREL for the second wave of resolution plans of the 2018 cycle, which will serve as a basis for setting binding MREL targets.

On 23 November 2016, the European Commission published, among others, a proposal for a European Directive amending CRR, the CRD IV Directive and the BRRD and a proposal for a European Regulation amending Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation**") (said proposals together, the "**European Commission's Proposals**"). The proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. The proposals also cover a harmonised national insolvency ranking of unsecured debt instruments to facilitate the issuance by credit institutions of such "non-preferred" senior debt. The proposals are to be considered by the European Parliament and the Council of the EU and therefore remain subject to change. The final package of new legislation may not include all elements of the proposals and new or amended elements may be introduced through the course of the legislative process. Until all the proposals are in final form and are finally implemented into the relevant legislation, it is uncertain how the proposals will affect Banco Santander or the Holders.

One of the main objectives of these proposals is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules (the "**TLAC/MREL Requirements**") thereby avoiding duplication from the application of two parallel requirements. As mentioned above, although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. The European Commission is proposing to integrate the TLAC standard into the existing MREL rules and to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be institution-specific and determined by the resolution authority. Under these proposals, institutions such as the Bank would continue to be subject to an institution-specific MREL requirement, which may be higher than the requirement of the TLAC standard.

The European Commission's Proposals require the introduction of limited adjustments to the existing MREL rules ensuring technical consistency with the structure of any requirements for G-SIIs. In particular, technical amendments to the existing rules on MREL are needed to align them with the TLAC standard regarding *inter alia* the denominators used for measuring loss-absorbing capacity, the interaction with capital buffer requirements, disclosure of risks to investors, and their application in relation to different resolution strategies. Implementation of the TLAC/MREL Requirements is expected to be phased-in from 1 January 2019 (a 16% minimum TLAC requirement) to 1 January 2022 (an 18% minimum TLAC requirement).

Additionally, with regard to the European Commission's proposal to create a new asset class of "non-preferred" senior debt, on 27 December 2017, Directive 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the European Union. Before that, Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters ("**RDL 11/2017**") created in Spain the new asset class of senior-non preferred debt.

According to the European Commission's proposal, any failure by an institution to meet the applicable minimum TLAC/MREL Requirements is intended to be treated in the same manner as a failure to meet minimum regulatory capital requirements (the imposition of restrictions or prohibitions on discretionary payments by the Bank), 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.

In relation to this, we announced on 24 May 2018 that we had been formally notified by the Bank of Spain the minimum (binding) requirement of MREL for the resolution group of Banco Santander, S.A. at the subconsolidated level, as determined by the Single Resolution Board (SRB). This MREL requirement was established at 114,482.84 million euros, which for reference purposes on the risk-weighted assets of the said resolution group at 31 December 2016 would be 24.35%, and must be met before 1 January 2020. The MREL requirement coincides with the Group's expectations and is aligned with the financing plans. As of today, the aforementioned resolution group already meets this MREL requirement. Future requirements will be subject to continuous review by the regulator.

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.

On 7 December 2017, the GHOS published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment ("**CVA**") risks, introduces a floor to the consumption of capital by internal ratings-based methods ("**IRB**") and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations to its use for portfolios with low levels of noncompliance; (iii) regarding the CVA risk, and in connection with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches ("**AMA**") ; (v) the introduction of a leverage ratio buffer for G-SIIs; and (vi) regarding capital consumption, it establishes a minimum limit on the aggregate results (output floor), which prevents the risk-weighted assets ("**RWA**") of the banks generated by internal models from being lower than the 72.5% of the RWA that are calculated with the standard methods of the Basel III framework.

The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks.

In addition to the above, we should also comply with the liquidity coverage ratio ("**LCR**") requirements provided in CRR. According to article 460.2 of CRR, the LCR has been progressively introduced since 2015 with the following phasing-in: (a) 60% of the LCR in 2015; (b) 70% as of 1 January 2016; (c) 80% as of 1 January 2017; and (d) 100% as of 1 January 2018. As of 31 December 2017, our LCR was 133%, comfortably exceeding the regulatory requirement.

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 harmonized 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 more transparent, unified and safer. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular direct supervision of the 126 largest European banks (including the Bank), on 4 November 2014.

The SSM represented a significant change in the approach to bank supervision at a European and global level, and resulted in the direct supervision by the ECB of the largest financial institutions, 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 continue working on the establishment of a new supervisory culture importing best practices from the 19 national competent authorities that are part of the SSM and promoting a level playing field across participating Member States. Several steps have already been taken in this regard such as the publication of the Supervisory Guidelines; the approval of the Regulation (EU) No 468/2014 of the ECB of 16 April 2014, establishing the framework for cooperation within the SSM between

the ECB and national competent authorities and with national designated authorities (the "**SSM Framework Regulation**"); the approval of a Regulation (Regulation (EU) 2016/445 of the European Central Bank of March 14, 2016 on the exercise of options and discretions available in Union law) and a set of guidelines on the application of CRR's national options and discretions, etc. In addition, the SSM represents an extra cost for the financial institutions that funds 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. The SRM Regulation 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 January 1, 2015 and has fully assumed its resolution powers on January 1, 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 SRF is also in place, funded by contributions from European banks in accordance with the methodology approved by the Council of the EU. The SRF 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).

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 our business, financial condition and results of operations; in particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes which 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 only applies since 1 January 2016. The BRRD was partially implemented in Spain in June 2015 through Law 11/2015 of 18 June on the Recovery and Resolution of Credit Institutions and Investment Firms ("**Law 11/2015**") and Royal Decree 1012/2015, of 6 November implementing Law 11/2015 ("**Royal Decree 1012/2015**").

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, results of operations and prospects. These regulations, if adopted, may also cause us to invest significant management attention and resources to make any necessary changes.

General Data Protection Regulation

On 25 May 2018, the Regulation (EU) 2016/279 of the European Parliament and of the Council of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**General Data Protection Regulation**" or "**GDPR**") became directly applicable in all Member States of the EU. Spain has enacted the Organic Law 3/2018, of 5 December, on Data Protection and the safeguarding of digital rights which has repealed the Spanish Organic Law 15/1999, of 13 December, on data protection.

Although a number of basic existing principles have remained the same, the GDPR has introduced extensive new obligations on data controllers and rights for data subjects, as well as new fines and penalties for a breach of requirements, including fines for systematic breaches of up to the higher of 4% of annual worldwide turnover or €20 million and fines of up to the higher of 2% of annual worldwide turnover or € 10 million (whichever is highest) for other specified infringements.

The implementation of the GDPR has required substantial amendments to the Bank's procedures and policies. The changes have impacted, and could further adversely impact, the Bank's business by increasing its operational and compliance costs. Further, there is a risk that the measures may not be implemented correctly or that there may be partial non-compliance with the new procedures. If there are breaches of the GDPR obligations, the Bank could face significant administrative and monetary sanctions as well as reputational damage which could have a material adverse effect on the Bank's operations, financial condition and prospects.

Financial Transactions Tax

On 14 February 2013, the European Commission published a 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, 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 and participating Member States may decide not to participate.

In particular, the Spanish government has recently submitted to the Parliament a draft of law for introducing the FTT in Spain. In principle, the FTT does not affect transactions involving bonds or debt or similar instruments, such as the Preferred Securities. Nevertheless, should the measure be finally passed, it would tax the acquisition of shares and ADRs of Spanish companies with a market capitalization of more than 1 billion, at a tax rate of 0.2%.

Banking Reform in the UK

The Financial Services (Banking Reform) Act 2013 (the Banking Reform Act) established a ring-fencing framework under the Financial Services and Markets Act 2000 (FSMA) pursuant to which UK banking groups that hold significant retail deposits were required to separate or 'ring-fence' their retail banking activities from their wholesale banking activities by 1 January 2019. The Santander UK group is subject to the ring-fencing regulatory regime introduced under the Banking Reform Act and adopted through secondary legislation which it is required to comply with from 1 January 2019. Accordingly, the Santander UK group has implemented the separation – or ring-fencing - of its core retail and small business deposit taking activities from its wholesale markets and investment banking activities.

Santander UK plc, being the main banking entity within the ring-fenced part of the UK group, will serve our retail, commercial and corporate customers in the UK. The majority of our customer loans and assets as well as customer deposits and liabilities will remain within Santander UK plc or Cater Allen Limited, which is also a ring-fenced bank. Wholesale markets and investment banking activities which, from 1 January 2019, are prohibited from being transacted within the ring-fenced bank principally included our derivatives business with financial institutions and certain corporates, elements of our short term markets business, Santander UK plc's branches in Jersey and the Isle of Man, and the United States (US) branch of Abbey National Treasury Services plc (ANTS).

Implementation of ring-fencing has involved material structural and operational changes to Santander UK's business and the corporate group structure in the UK during 2018. Following consent from the PRA to the application to the High Court of England and Wales (the Court) for approval of our ring-fencing transfer scheme (the Scheme), our Scheme was approved by the Court on 12 June 2018.

In accordance with the Scheme: (i) ANTS has transferred the majority of its business; with products, transactions, arrangements and customers and other stakeholders which are permitted in the ring fence transferred to Santander UK plc and products, transactions, arrangements and customers and other stakeholders which are prohibited within the ring-fence transferred to the London branch of Banco Santander S.A; and (ii) Santander UK plc has transferred its prohibited business and certain specified business that is permitted within the ring-fence to the London branch of Banco Santander S.A. These transfers of business were implemented during July 2018.

On 11 December 2018, the Royal Court of Jersey approved the transfer of the business of the Jersey branch of Santander UK plc to a new Jersey branch of ANTS, which is a member of the Santander UK group outside the ring-fence, by way of a court-sanctioned transfer scheme under Jersey law (the Jersey Scheme). On 13 December 2018, the Isle of Man High Court of Justice approved the transfer of the business of the Isle of Man branch of Santander UK plc to a new Isle of Man branch of ANTS, by way of a court-sanctioned transfer scheme under Isle of Man law (the Isle of Man Scheme). The effective date of the Jersey Scheme and the Isle of Man Scheme was 17 December 2018.

ANTS has ceased the activities of its US branch, and surrendered its US licence with effect from 14 December 2018.

Santander UK completed its ring-fencing plans in advance of the legislative deadline of 1 January 2019. However, given the complexity of the ring-fencing regulatory regime and the material impact on the way we now conduct our business operations in the UK, there is a risk that Santander UK plc and/or Cater Allen Limited may be found to be in breach of one or more ring-fencing requirements. This might occur, for example, if prohibited business activities are found to be taking place within the ring-fence or core, mandated retail banking activities are found being carried on in a UK entity outside the ring-fenced part of the Group.

From 1 January 2019, if the Santander UK group were found to be in breach of any of the ring-fencing requirements placed upon it under the ring-fencing regime, it could be subject to enforcement action by the PRA, the consequences of which might include substantial financial penalties, imposition of a suspension or restriction on the group's UK activities or, in the most serious of cases, forced restructuring of the UK group, entitling the PRA (subject to the consent of the UK Government) to require the sale of a Santander ring-fenced bank or other parts of the UK group. Any of those sanctions could, if imposed, have a material adverse effect on our operations, financial condition and prospects.

The restructuring activities and migrations of businesses, assets and customer relationships mentioned above have had a material impact on how the Santander UK group conducts its business. While it has sought to implement each of the required changes with minimal impact on customers, we are unable to predict with certainty the attitudes and reaction of our UK customers. The structural changes which have been required could have a material adverse effect on our operations, financial condition and prospects.

United States significant regulation

The financial services industry continues to experience significant financial regulatory reform in the United States, including from the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") and changes thereto, regulation (including capital, leverage, funding, liquidity and tax requirements), policies (including fiscal and monetary policies established by central banks and financial regulators, and changes to global trade policies), and other legal and regulatory actions. Many of these reforms significantly affected and continue to affect our revenues, costs and organizational structure in the United States and the scope of our permitted activities. We continue to monitor the changing political, tax and regulatory environment in the United States, while the recent change in control of the House of Representatives makes significant statutory reforms less likely, we still believe that it is likely that there will be further material changes in the way major financial institutions like us are regulated under United States law. Although it remains difficult to predict the exact impact these changes will have on our business, financial condition, results of operations and cash flows for a particular future period, further reforms could result in loss of revenue, higher compliance costs, additional limits on our activities, constraints on our ability to enter into new businesses and other adverse effects on our businesses.

The full spectrum of risks that result from pending or future U.S. financial services legislation or regulations cannot be fully known; however, such risks could be material and we could be materially and adversely affected by them.

Enhanced Prudential Standards

As a large foreign banking organization ("**FBO**") with significant U.S. operations, we are subject to enhanced prudential standards that required Banco Santander to, among other things, 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. The Bank designated its wholly-owned subsidiary, Santander Holdings USA, as its U.S. IHC, effective 1 July 2016. As a U.S. IHC, Santander Holdings USA is subject to an enhanced supervision framework that includes, or will include, enhanced risk-based and leverage capital requirements, liquidity requirements, risk management and governance requirements, stress-testing and capital planning requirements, resolution planning requirements and single counterparty credit limits. Collectively, the enhanced prudential standards impose a significant regulatory burden on Santander Holdings USA, in particular with respect to capital and liquidity, which could limit its ability to distribute capital and liquidity to the Bank, thereby negatively affecting the Bank.

In May 2018 the United States Congress passed, and President Donald Trump signed into law, the Economic Growth, Regulatory Relief, and Consumer Protection Act ("**EGRRCPA**"). Under EGRRCPA, bank holding companies with less than \$100 billion in total consolidated assets were immediately exempt from certain enhanced prudential standards, while bank holding companies with between \$100 million and \$250 million in total consolidated assets will become exempt from certain enhanced prudential standards during November 2019 unless the Board of Governors of the Federal Reserve System (the "**Federal Reserve Board**"), at any time, determines that particular enhanced prudential standards should apply. EGRRCPA made clear that the Federal Reserve Board retained the right to apply enhanced prudential standards to FBOs with greater than \$100 billion in global total consolidated assets, such as Banco Santander. In October 2018 the Federal Reserve Board and other U.S. banking agencies issued proposed rules to adjust the statutory thresholds at which certain enhanced prudential standards and other capital and liquidity standards apply to U.S. banking organizations with \$100 billion or more in total consolidated assets, but the proposed rules would not apply to FBOs or U.S. IHCs of

FBOs. The Federal Reserve Board indicated that it intends to issue for comment a proposal to modify the prudential standards applicable to FBOs. It is not clear whether, and to what extent, Banco Santander and Santander Holdings USA would be eligible for regulatory relief under the proposal.

Resolution Planning

We are required to prepare and submit to the Federal Reserve Board and the Federal Deposit Insurance Corporation ("**FDIC**") a plan, commonly called a living will (the "**165(d) plan**"), for the orderly resolution of our subsidiaries and operations that are domiciled in the United States in the event of future material financial distress or failure. We, on behalf of our insured depository institution ("**IDI**") subsidiary, Santander Bank, N.A. ("**Santander Bank**"), must also submit a separate IDI resolution plan ("**IDI plan**") to the FDIC. The 165(d) plan and the IDI plan require substantial effort, time and cost to prepare and are subject to review by the Federal Reserve Board and the FDIC, in the case of the 165(d) plan, and by the FDIC only, in the case of the IDI plan. If, after reviewing our 165(d) plan and any related re-submissions, the Federal Reserve Board and the FDIC jointly determine that we failed to cure identified deficiencies, they are authorized to impose more stringent capital, leverage or liquidity requirements, or restrictions on our growth, activities or operations, or even divestitures, which could have an adverse effect on our business. Banco Santander filed its most recent 165(d) plan on 19 December 2018, and its most recent IDI plan on 28 June 2018. The deadline for our next 165(d) plan submission is currently unclear, as senior representatives from the Federal Reserve Board and FDIC have recently indicated that the annual submission requirement may be relaxed under a forthcoming revised 165(d) rule. FDIC Chairman Jelena McWilliams has indicated that no firm will be required to submit another IDI plan until the FDIC issues a revised IDI plan rule.

OTC Derivatives Regulation

Title VII of the Dodd-Frank Act amended the U.S. Commodity Exchange Act and the Securities Exchange Act of 1934 to establish an extensive framework for the regulation of over-the-counter ("**OTC**") derivatives, including mandatory clearing of certain standardized OTC derivatives and the trading of such instruments through regulated trading venues, subject to exceptions, and transaction reporting. In addition, Title VII requires the registration of swap dealers and major swap participants with the Commodity Futures Trading Commission ("**CFTC**") and of security-based swap dealers and major security-based swap participants with the SEC, and requires the CFTC and SEC to adopt regulations imposing capital, margin, business conduct, record keeping and other requirements on such entities. The CFTC has completed the majority of its regulations in this area, most of which are in effect. The SEC has also finalized many of its Title VII regulations, although a significant number are not yet in effect. Santander and Abbey National Treasury Services plc are provisionally registered as swap dealers with the CFTC. Santander does not currently expect to register any entity with the SEC as a security-based swap dealer or major security-based swap participant.

While most of the rules applicable to swap dealers have been fully implemented, others are still being phased in. For example, the U.S. prudential regulatory agencies adopted final rules establishing initial and variation margin requirements for uncleared swaps and security-based swaps between prudentially-regulated swap dealers and certain counterparties, and the CFTC adopted a final rule establishing initial and variation margin requirements for uncleared swaps between non-prudentially regulated swap dealers and certain counterparties. All swap dealers must currently comply with the variation margin requirements (to the extent applicable to a particular transaction); however, the initial margin requirements are still being phased in through 1 September 2020, based on the level of specified derivatives activity of the swap dealer and the relevant counterparty (and their affiliates). We are in the process of implementing these rules and believe that these rules and similar rules being considered by regulators in other jurisdictions, and the potential conflicts and inconsistencies between them, will likely increase our costs for engaging in swaps and other derivatives activities and present compliance challenges.

QFC Stay Rules

The U.S. banking agencies have adopted rules (the "**QFC stay rules**") that impose contractual requirements on certain qualified financial contracts ("**covered QFCs**") to which U.S. G-SIBs and the U.S. operations of foreign G-SIBs (together with U.S. G-SIBs, "**covered entities**") are parties. Banco Santander's U.S. operations, including Santander Bank, are treated as covered entities under the QFC stay rules.

Under the QFC stay rules, covered QFCs generally:

- (1) must explicitly recognize the FDIC's authority to stay the exercise of default rights under and transfer the covered QFC under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Act, and their implementing regulations; and
- (2) may not (a) permit the exercise of any cross-default right against a covered entity based on an affiliate's entry into receivership, insolvency, liquidation, resolution or similar proceedings, subject to certain creditor protections, or (b) prohibit the transfer of any credit enhancement (including a guarantee) provided by an affiliate in the G-SIB group that is a covered entity upon any affiliate in the G-SIB group entering into receivership, insolvency, liquidation, resolution, or similar proceedings.

The QFC stay rules establish a phased-in compliance schedule based on counterparty type. Covered QFCs to which all parties are covered entities must be remediated by 1 January 2019; covered QFCs to which all parties are either covered entities or certain other "financial counterparties," as defined under the rules, must be remediated by 1 July 2019; and covered QFCs to which at least one party is neither a covered entity nor a financial counterparty must be remediated by 1 January 2020. The effect of the QFC stay rules is that if the U.S. operations of Banco Santander, including Santander Bank, enter into a new QFC with a counterparty on or after 1 January 2019, all existing QFCs between the U.S. operations of Banco Santander and the counterparty and all of the counterparty's consolidated affiliates must be remediated to comply with the requirements of the QFC stay rules by the applicable compliance date.

The QFC stay rules could lead to increased compliance costs and could affect Banco Santander's competitive position, as the rules do not apply to all of the firm's competitors.

United States Capital, Liquidity and Related Requirements and Supervisory Actions

As a U.S. IHC and bank holding company, Santander Holdings USA is subject to the U.S. Basel III capital rules, which implement in the United States the capital components of the Basel Committee's international capital and liquidity standards known as Basel III. In addition, as a U.S. bank holding company with \$50 billion or more of total consolidated assets, Santander Holdings USA is currently subject to a modified version of the quantitative liquidity coverage ratio ("**LCR**") requirement. The LCR is one of the liquidity components of the international Basel III framework, and requires firms to meet certain liquidity measures by holding an adequate amount of unencumbered high-quality liquid assets to cover its projected net cash outflows over a 30 day stress scenario window. These capital and liquidity requirements significantly affect the amount of capital and liquidity that Santander Holdings USA maintains to support its operations, and, if Santander Holdings USA fails to meet these quantitative requirements, it could face increasingly stringent regulatory consequences, including but not limited to restrictions on its ability to distribute capital to the Bank. As discussed in the "Enhanced Prudential Standards" section above, the Federal Reserve Board has indicated that it intends to issue for comment a proposal to modify the prudential standards applicable to FBOs. It is not clear how this proposal would impact Santander Holdings USA's capital and liquidity requirements.

Total Loss-Absorbing Capacity and Long-Term Debt Requirements

In addition to the above mentioned capital and liquidity requirements, the Federal Reserve Board adopted a final rule on 15 December 2016 that establishes certain TLAC, long-term debt ("**LTD**") and clean holding company requirements in the United States generally consistent with the FSB's international TLAC standard. Santander Holdings USA is compliant with all applicable requirements under the final rule as of 1 January 2019. Compliance with the final TLAC rule has resulted in increased funding costs for Santander Holdings USA and, indirectly, the Bank.

Stress Testing and Capital Planning

Certain of our U.S. subsidiaries, including Santander Holdings USA, are subject to stress testing and capital planning requirements in the United States, including the Federal Reserve Board's Comprehensive Capital Analysis and Review ("**CCAR**"). The Federal Reserve Board expects companies subject to CCAR, such as Santander Holdings USA, to have sufficient capital to withstand a highly adverse operating environment and to be able to continue operations, maintain ready access to funding, meet obligations to creditors and counterparties, and serve as credit intermediaries. In addition, the Federal Reserve Board evaluates the planned capital actions of these bank holding companies, including planned capital distributions such as dividend payments or stock repurchases. In 2017, the Federal Reserve Board finalized a rule that removed the qualitative assessment that was part of CCAR for certain large and noncomplex bank holding companies and U.S. intermediate holding companies of FBOs, including Santander Holdings USA. In April 2018, the Federal

Reserve Board proposed a rule that would revise its capital buffer, stress testing and capital planning requirements to restructure how the Federal Reserve Board incorporates the results of supervisory stress testing into firms' ongoing capital requirements, including by introducing stress buffer requirements that would apply on an ongoing basis and be calibrated to reflect firms' projected losses under its stress tests. The proposed changes would affect the ongoing capital buffer requirements to which Santander Holdings USA is subject and could raise the regulatory capital ratios that Santander Holdings USA must maintain in order to avoid restrictions on dividends and other capital distributions. As discussed in the "Enhanced Prudential Standards" section above, the Federal Reserve Board has indicated that it intends to issue for comment a proposal to modify the prudential standards applicable to FBOs. It is not clear how this proposal would impact stress testing and capital planning requirements for Santander Holdings USA.

Single Counterparty Credit Limits

In June 2018, the Federal Reserve Board issued a final rule implementing single counterparty credit limits applicable to the U.S. operations of major FBOs, such as the Bank, and to certain large U.S. IHCs of FBOs, such as Santander Holdings USA. The rule will impose percentage limitations on net credit exposures to individual counterparties (aggregated based on affiliation), generally as a percentage of tier 1 capital. This will become effective in January 2020 for the Bank and in July 2020 for Santander Holdings USA, and could adversely affect the financial position of the Bank's U.S. operations or of Santander Holdings USA.

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, we are subject to significant legal restrictions on our ability to publicly disclose these actions or the full details of these actions. Furthermore, as part of the regular examination process, U.S. banking regulators may advise our U.S. banking subsidiaries to operate under various restrictions as a prudential matter. Under the U.S. Bank Holding Company Act of 1956, as amended (the "**Bank Holding Company Act**"), the Federal Reserve Board has the authority to disallow us and our 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 our U.S. banking subsidiaries could adversely affect our 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 our business and results of operations; and we may be subject to significant legal restrictions on our ability to publicly disclose these matters or the full details of these actions.

In addition to such confidential actions and restrictions, we have been, and continue to be, subject to public supervisory actions in the United States. On 15 September 2014, Santander Holdings USA and the Federal Reserve Bank of Boston ("**FRB Boston**") had 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 had agreed to certain actions relating to planned capital distributions and to subject future capital distributions to the prior written approval of the Federal Reserve Board. On 24 August 2017, the Federal Reserve announced the termination of this enforcement action. Separately, in July 2015, Santander Holdings USA entered into a written agreement with the FRB Boston and agreed to make enhancements with respect to, among other matters, board oversight of the consolidated organization, risk management, capital planning and liquidity risk management. On 14 August 2018, the Federal Reserve announced the termination of this enforcement action. In addition, in March 2017, Santander Holdings USA and Santander Consumer USA Inc. ("**SCUSA**") entered into a written agreement with the FRB Boston pursuant to which Santander Holdings USA and SCUSA agreed to submit written plans acceptable to the FRB Boston to strengthen board oversight of the management and operations of SCUSA and to strengthen board and senior management oversight of SCUSA's risk management program, SCUSA agreed to submit a written revised compliance risk management program acceptable to the FRB Boston and Santander Holdings USA agreed to submit written revisions to its firm-wide internal audit program of SCUSA's compliance risk management program. A response to this written agreement was submitted to the Federal Reserve of Boston in May 2017. The written agreements between Santander Holdings USA and the FRB Boston dated 21 March 2017 has not been terminated and remains in place.

Anti-Money Laundering and Economic Sanctions

A major focus of U.S. governmental policy relating to financial institutions is aimed at preventing money laundering and terrorist financing. The Bank Secrecy Act, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act) contains provisions intended to detect, and prevent the use of the U.S. financial system for, money laundering and terrorist financing activities. Under the Bank Secrecy Act, U.S. financial institutions, including U.S. branches and subsidiaries of non-U.S. banks, are required to, among other things, maintain an anti-money laundering ("AML") program, verify the identity of clients, monitor for and report suspicious transactions, report on cash transactions exceeding specified thresholds, and respond to requests for information by regulatory authorities and law enforcement agencies. The Financial Crimes Enforcement Network of the U.S. Department of the Treasury and U.S. federal and state bank regulatory agencies, as well as the U.S. Department of Justice, have the authority to impose significant civil money penalties for violations of those requirements.

There is also scrutiny of compliance with applicable U.S. economic sanctions administered by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury and other U.S. government agencies against certain foreign countries, governments, individuals and entities to counter threats to the U.S. national security, foreign policy, or economy. These sanctions impose varying restrictions on engaging in transactions or dealings with sanctions targets, which may be individuals or entities, as well as their property and interests in property, and are directly applicable to U.S. persons but may, in some instances, involve sanctioning of non-U.S. persons that engage in certain conduct with sanctions targets (so-called secondary sanctions). In particular, in May 2018, the Trump administration announced that the United States would cease its participation in the Joint Comprehensive Plan of Action and re-impose sanctions relating to Iran following wind-down periods, the first of which ended on 6 August 2018 and the second of which ended on 4 November 2018. The United States has now completed the process of fully re-imposing sanctions related to Iran that were in force prior to the initial Iran nuclear agreement (in addition to imposing further sanctions), and US secondary sanctions once again target a wide range of Iran-related activities. U.S. sanctions also target individuals and entities in a range of other countries, including but not limited to Cuba, Russia, and Venezuela.

Failures to comply with applicable U.S. AML laws or regulations or economic sanctions could have severe legal and reputational consequences, including significant civil and criminal penalties, and certain AML violations could result in a termination of U.S. banking licenses. The lack of certainty on possible requirements arising from any new AML laws or sanctions could pose risks given the possible penalties for financial crime compliance failings. If such penalties are incurred then they could have a material adverse effect on our operations, financial condition and prospects. In addition, U.S. regulators have taken actions against non-U.S. bank holding companies requiring them to improve their oversight of their U.S. subsidiaries' Bank Secrecy Act programs and compliance. Further, U.S. federal banking agencies are required, when reviewing bank and bank holding company acquisition or merger applications, to take into account the effectiveness of the AML compliance record of the applicant.

Cybersecurity and Data Privacy

As cybersecurity and data privacy risks for banking organizations and the broader financial system have significantly increased in recent years, cybersecurity and data privacy issues have become the subject of increasing legislative and regulatory focus. The U.S. bank regulatory agencies have proposed enhanced cyber risk management standards, which would apply to a wide range of large financial institutions and their third-party service providers, including Santander Holdings USA and would focus on cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience and situational awareness. Several states have also proposed or adopted cybersecurity legislation and regulations, which require, among other things, notification to affected individuals when there has been a security breach of their personal data.

We receive, maintain and store non-public personal information of our customers and counterparties, including, but not limited to, personally identifiable information and personal financial information. The sharing, use, disclosure and protection of this information are governed by U.S. federal and state law. Both personally identifiable information and personal financial information is increasingly subject to legislation and regulation, the intent of which is to protect the privacy of personal information that is collected and handled.

We may become subject to new legislation or regulation concerning cybersecurity or the privacy of personally identifiable information and personal financial information or of any other information we may store or maintain. We could be adversely affected if new legislation or regulations are adopted or if existing legislation

or regulations are modified such that we are required to alter our systems or require changes to our business practices or privacy policies. If cybersecurity, data privacy, data protection, data transfer or data retention laws are implemented, interpreted or applied in a manner inconsistent with our current practices, we may be subject to fines, litigation or regulatory enforcement actions or ordered to change our business practices, policies or systems in a manner that adversely impacts our operating results.

If we fall victim to successful cyber-attacks or experience cybersecurity incidents in the future, we may incur substantial costs and suffer other negative consequences, such as remediation costs (liabilities for stolen assets or information, repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorized use of proprietary information or the failure to retain or attract our customers following an attack, as already mentioned, litigation and legal risks, increased insurance premiums, reputational damage affecting the customers and the investors' confidence, as well as damages to our competitiveness, stock price and long-term shareholder value.

It is important to highlight that even when a failure of or interruption in our systems or facilities is timely resolved or an attempted cyber incident or other security breach is successfully avoided or thwarted, normally substantial resources are expended in doing so, and we may be required to take actions that could adversely affect customer satisfaction or behaviour, as well as represent a threat to our reputation.

The Group is subject to potential intervention by any of the Group's regulators or supervisors, particularly in response to customer complaints.

As noted above, our 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 authorize, regulate and supervise us in the jurisdictions in which we operate.

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, we face increased supervisory scrutiny (resulting in increasing internal compliance costs and supervision fees), and in the event of a breach of our regulatory obligations we are 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 behavior of customers and the operation of markets. Such a focus could result, for example, in usury regulation that could restrict our ability to charge certain levels of interest in credit transactions or in regulation that would prevent us from bundling products that we offer to our customers. Some of the laws in the relevant jurisdictions in which we operate, 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 we operate, require us to be in compliance across all aspects of our business, including the training, authorization and supervision of personnel, systems, processes and documentation. If we fail to comply with the relevant regulations, there would be a risk of an adverse impact on our business from sanctions, fines or other actions imposed by the regulatory authorities. Customers of financial services institutions, including our 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 our reputation or have a material adverse effect on our 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 our 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 our tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities. We are subject to the income tax laws of Spain and the other jurisdictions in which we operate. 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, we must make judgments and interpretations about the application of these inherently complex tax laws. If the judgment, estimates and assumptions we use in preparing our tax returns are subsequently found to be incorrect, there could be a material adverse effect on our results of operations. In some jurisdictions, the interpretations of the taxing authorities are unpredictable and frequently involve litigation, which introduces further uncertainty and risk as to tax expense.

The Group is not 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 the Group.

We are required to comply with applicable anti-money laundering ("AML"), anti-terrorism, anti-bribery and corruption, sanctions and other laws and regulations applicable to us. These laws and regulations require us, among other things, to conduct full customer due diligence (including sanctions and politically-exposed person screening), keep our customer, account and transaction information up to date and have implemented financial crime policies and procedures detailing what is required from those responsible. We are also required to conduct AML training for our employees and to report suspicious transactions and activity to appropriate law enforcement following full investigation by our local AML team.

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML, anti-bribery and corruption and sanctions laws and regulations are increasingly complex and detailed. Compliance with these laws and regulations requires automated systems, sophisticated monitoring and skilled compliance personnel.

We maintain updated policies and procedures aimed at detecting and preventing the use of our banking network for money laundering and other financial crime related activities. However, emerging technologies, such as cryptocurrencies and blockchain, could limit our ability to track the movement of funds. Our ability to comply with the legal requirements depends on our ability to improve detection and reporting capabilities and reduce variation in control processes and oversight accountability. These require implementation and embedding within our business effective controls and monitoring, which in turn requires on-going changes to systems and operational activities. Financial crime is continually evolving and, as noted, is subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptable responses from us so that we are able to deter threats and criminality effectively. As a global bank, we are particularly exposed to this risk. Even known threats can never be fully eliminated, and there will be instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, we rely heavily on our employees to assist us by spotting such activities and reporting them, and our employees have varying degrees of experience in recognizing criminal tactics and understanding the level of sophistication of criminal organizations. Where we outsource any of our customer due diligence, customer screening or anti financial crime operations, we remain responsible and accountable for full compliance and any breaches. If we are unable to apply the necessary scrutiny and oversight of third parties to whom we outsource certain tasks and processes, there remains a risk of regulatory breach.

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

The reputational damage to our business and global brand would be severe if we were found to have breached AML, anti-bribery and corruption or sanctions requirements. Our reputation could also suffer if we are unable to protect our customers' bank products and services from being used by criminals for illegal or improper purposes.

The Brazilian Federal Public Prosecutor's Office, or "MPF", has charged one of our officers in connection with the alleged bribery of a Brazilian tax auditor to secure favorable decisions in tax cases resulting in a claimed R\$83 million (approximately U.S.\$25 million) benefit to us. On 23 October 2018, the officer was formally

indicted and asked to present his defence, which was done on 5 November 2018. Further developments depend on the receipt of the defence to be made by the other defendants. We are not a party to these proceedings. We have voluntarily provided information to the Brazilian authorities and have relinquished the benefit of certain tax credits to which the allegations relate in order to show good faith.

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

Any such risks could have a material adverse effect on our operating results, financial condition and prospects.

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

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

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

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 our ability to access liquidity and on our funding costs.

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

Finally, the implementation of internationally accepted liquidity ratios might require changes in business practices that affect our profitability. The liquidity coverage ratio (LCR) is a liquidity standard that measures if banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. At 31 December 2018, our LCR ratio was 158%, above the 100% minimum requirement. The net stable funding ratio (NSFR) provides a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their activities. The final definition of the NSFR approved by the

Basel Committee in October 2014, has not yet come into effect. The Basel requirement still needs to be written into the CRR, which is expected to be published in 2019. At the end of 2018 this ratio stands at 114% for the Group and over 100% for most of our subsidiaries.

Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and the Group's cost of funds. Any downgrade in the Group's credit rating would likely increase the Group's 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 the Group's interest margins and results of operations.

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

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

Banco Santander's long-term debt is currently rated investment grade by the major rating agencies: A2 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 February 2017, Standard & Poor's revised the outlook from stable to positive reflecting the revised funding plans announced by the us, which give Standard & Poor's comfort that we will build a substantial additional loss absorbing capacity buffer over the next two years. In June 2017, Standard & Poor's revised the outlook from positive to stable as a result of the risks associated with the acquisition of Banco Popular. Following the upgrade of the Spanish sovereign rating, in April 2018 Standard & Poor's and Moody's upgraded their ratings (from A- to A and from A3 to A2, respectively, and in July 2018 Fitch confirmed its rating and outlook.

Santander UK's long-term debt is currently rated investment grade by the major rating agencies: Aa3 with positive outlook by Moody's Investors Service, A with stable outlook by Standard & Poor's Ratings Services and A+ with a stable outlook by Fitch Ratings.

Banco Santander (Brasil)'s long-term debt in foreign currency is currently rated BB- with a stable outlook by Standard & Poor's Ratings Services and Ba3 with a stable outlook by Moody's Investors Service.

We conduct substantially all of our material derivative activities through Banco Santander and Santander UK. We estimate that as of 31 December 2017, if all the rating agencies were to downgrade Banco Santander's long-term senior debt ratings by one notch we would be required to post up to €89 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two-notch downgrade would result in a further requirement to post up to €249 million in additional collateral. We estimate that as of 31 December 2018, 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 £3.6 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 a further outflow of £0.2 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 our long-term credit rating precipitates downgrades to our short-term credit rating, and assumptions about the potential behaviours of various customers, investors and counterparties. Actual outflows could be higher or lower than the preceding hypothetical examples, depending upon certain factors including which credit rating agency downgrades our credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from

money market funds) or loss of secured funding capacity. Although unsecured and secured funding stresses are included in our stress testing scenarios and a portion of our total liquid assets is held against these risks, a credit rating downgrade could still have a material adverse effect on us.

In addition, if we were required to cancel our derivatives contracts with certain counterparties and were unable to replace such contracts, our market risk profile could be altered.

As a result of the integration and absorption of Banco Popular by Banco Santander, the perception of the rating agencies on Santander could be affected and our credit ratings could be downgraded.

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 our cost of funding and adversely affect interest margins, which could have a material adverse effect on us.

Credit Risks

The credit quality of the Group's loan portfolio may deteriorate and the Group's loan loss reserves could be insufficient to cover the Group's actual loan losses, which 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 our businesses. Non-performing or low credit quality loans have in the past negatively impacted our results of operations and could do so in the future. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our total loan portfolio, including as a result of loan portfolios that we may acquire in the future (the credit quality of which may turn out to be worse than it had anticipated), or factors beyond our control, such as adverse changes in the credit quality of our borrowers and counterparties or a general deterioration in economic conditions in the regions where we operate or in global economic and political conditions. If we were unable to control the level of our non-performing or poor credit quality loans, this could have a material adverse effect on us.

Our loan loss reserves are based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Because many of these factors are beyond our control and there is no precise method for predicting loan and credit losses, we cannot assure that our current or future loan loss reserves will be sufficient to cover actual losses. If our assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of our total loan portfolio deteriorates, for any reason, or if the future actual losses exceed our estimates of incurred losses, we may be required to increase our loan loss reserves, which may adversely affect us. Additionally, in calculating our loan loss reserves, we employ qualitative tools and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete.

Mortgage loans are one of our principal assets, comprising 45% of our loan portfolio as of 31 December 2018. Our exposure is concentrated in residential mortgage loans, especially in Spain and the United Kingdom. During late 2007, following an earlier period of increased demand, the housing market began to adjust downward in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. From 2008 to 2013, 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 caused home prices to decline, while mortgage delinquencies and forbearances increased. At 31 December 2018, the non-performing loan ("NPL") ratio of residential mortgage loans for the Group in Spain and the UK was 3.9% and 1.2%, respectively.

As a result of these and other factors, our NPL ratio increased from 0.94% at 31 December 2007, to 2.02% at 31 December 2008, to 3.24% at 31 December 2009, to 3.54% 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. The trend changed in 2014 as our NPL ratio decreased to 5.19% at 31 December 2014, to 4.36% at 31 December 2015 and to 3.93% at 31 December 2016. At 31 December 2017 the NPL ratio stood at 4.08% impacted by the acquisition of Banco Popular and at 31 December 2018 it improved to 3.73%. Coverage as of 31 December 2018 was 67.4% as compared to 65.2% a year earlier. We can provide no assurance that the our 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 our mortgage payment delinquency rates, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Additionally, the financial crisis and the acquisition of Banco Popular led to the accumulation of illiquid assets, including mainly foreclosed assets that as of today are mostly sold, with lower profitability than our current targets. If similar or different situations lead us to again accumulate illiquid assets, such assets could negatively affect our ability to reach our current profitability targets.

At 31 December 2018, the gross amount of Group refinancing and restructuring operations was 41,234 million euros (4.6% of total gross loans and credits), of which 16,048 million euros have real estate collateral. At the same date, the net amount of non-current assets held for sale totalled 5,426 million euros, of which 5,334 million euros were foreclosed assets, with a coverage ratio of 49% on the gross amount of these assets.

The Group is subject to the regulation on "Large Risks" contained in the EU Capital Requirements Regulation (CRR), according to which the exposure contracted by an entity with a customer or group of customers linked among themselves will be considered a "large exposure" when it equates to 10% or more of eligible capital. In addition, in order to limit large exposures, no institution may assume an exposure to any single customer or group of connected customers whose value exceeds 25% of the institution's eligible capital, after taking into account the effect of the credit risk reduction contained in the standard.

At 31 December 2018, following the application of risk mitigation mechanisms, no group had reached the aforementioned thresholds. Regulatory credit exposure of the 20 largest groups within the scope of large risks represented 4.47% of the outstanding credit risk with customers (lending to customers plus off-balance sheet risks) as of December 2018.

The value of the collateral securing our loans may not be sufficient, and we may be unable to realise the full value of the collateral securing our loan portfolio.

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

In addition, auto industry technology changes, accelerated by environmental rules, could affect our auto consumer business in the EU and the US, particularly residual values of leased vehicles, which could have a material adverse effect on our operating results, financial condition and prospects.

The Group is subject to counterparty risk in the Group's banking business.

We are 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.

We routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even 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 we enter into expose us to significant credit risk in the event of default by one of our significant counterparties.

Market Risks

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

Market risk refers to the probability of variations in the Group's interest income/ (charges) or in the market value of the Group's 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:

- interest income/ (charges);
- the volume of loans originated;
- credit spreads;
- the market value of the Group's securities holdings;
- the value of the Group's loans and deposits; and
- the value of the Group's derivatives transactions.

Interest rates are sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies and domestic and international economic and political conditions. Variations in interest rates could affect the interest earned on the Group's assets and the interest paid on its borrowings, thereby affecting its interest income/ (charges), which comprise the majority of its revenue, reducing the Group's growth rate and potentially resulting in losses. In addition, costs the Group incur as it implements strategies to reduce interest rate exposure could increase in the future (which, in turn, will impact its results).

Increases in interest rates may reduce the volume of loans the Group originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of 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 it to record losses on sales of the Group's loans or securities.

Due to the historically low interest rate environment in the Eurozone, in the UK and in the US in recent years, the rates on many of the Group's interest-bearing deposit products have been priced at or near zero, limiting the Group's ability to further reduce rates and thus negatively impacting the Group's margins. If the current low interest rate environment in the eurozone, in the UK and in the US persists in the long run, it may be difficult to increase the Group's interest income/ (charges), which will impact the Group's results.

The Group is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect the Group's earnings and value of its assets and securities. The recent volatility in the value of the pound sterling in the wake of the June 2016 UK referendum may persist as negotiations continue and could adversely impact the Group's UK customers and counterparties, as well as the overall results and prospects of the Group's UK operations. The continued depreciation of the Latin American currencies against the U.S. dollar could make the Group's 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 the Group's 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 the Group's results. To the extent any of these risks materialize, the Group's interest income/ (charges) 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 nine years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. The Group has material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then-prevailing market conditions, may result in negative changes in the fair values of the Group's financial assets and these may also translate into increased impairments. In addition, the value ultimately realized by it 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 us to make assumptions, judgments and estimates in order to establish fair value, and reliable assumptions are difficult to make and are inherently uncertain and valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the Group's operating results, financial condition and prospects.

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

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

Market practices and documentation for derivative transactions differ by country. In addition, the execution and performance of these transactions depend on the Group's ability to maintain adequate control and administration systems. Moreover, the Group's ability to adequately monitor, analyze and report derivative transactions continues to depend, largely, on the Group's information technology systems. These factors further increase the risks associated with these transactions and could have a material adverse effect on the Group.

Risk Management

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

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that the Group fail 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 behavior. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group does not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modeling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. 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 it. This could have a material adverse effect on the Group's 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 the Group's credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer. As this process involves detailed analyses of the customer, taking into account both quantitative and qualitative factors, it is subject to human or IT systems errors. In exercising their judgment on current or future credit risk behavior of the Group's customers, its employees may not always be able to assign an accurate credit rating, which may result in its exposure to higher credit risks than indicated by its risk rating system.

Some of the models and other analytical and judgment-based estimations we use in managing risks are subject to review by, and require the approval of, our regulators. If models do not comply with all their expectations, our regulators may require us to make changes to such models, may approve them with additional capital requirements or we may be precluded from using them. Any of these possible situations could limit our ability to expand our businesses or have a material impact on our financial results.

Failure to effectively implement, consistently follow or continuously refine the Group's credit risk management system may result in an increase in the level of non-performing loans and a higher risk exposure for it, which could have a material adverse effect on it.

Our board of directors is responsible for the approval of the Group's general policies and strategies, and in particular for the general risk policy. In addition to the executive committee, which maintains a special focus on risk, the board has a specific risk supervision, regulation and compliance committee.

Technology Risks

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

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

In addition, several new regulations are defining how to manage Cyber Risks and Technology Risks, how to report a data breach, and how the supervisory process should work, among others. These regulations are quite fragmented in terms of definitions, scope and applicability. A failure to successfully implement all or some of these new global and local regulations, that in some cases have severe sanctions regimes, could have a material adverse effect on the Group.

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

Like other financial institutions, we manage and hold confidential personal information of customers in the conduct of our banking operations, as well as a large number of assets. Accordingly, our business depends on the ability to process a large number of transactions efficiently and accurately, and on our ability to rely on our digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential sensitive personal data and other information using our computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented such that our data and/or client records are incomplete, not recoverable or not securely stored. Although we work with our clients, vendors, service providers, counterparties and other third parties to develop secure data and information processing, storage and transmission capabilities to prevent against information security risk, we routinely manage personal, confidential and proprietary information by

electronic means, and we may be the target of attempted cyber-attack. If we cannot maintain an effective and secure electronic data and information, management and processing system or we fail to maintain complete physical and electronic records, this could result in regulatory sanctions and serious reputational or financial harm to us.

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

We have seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. We have been and continue 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 disrupt our electronic systems used to service our customers. As attempted attacks continue to evolve in scope and sophistication, we may incur significant costs in order to modify or enhance our protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to the Group's customers. If we fail to effectively manage our cyber security risk, e.g. by failing to update our systems and processes in response to new threats, this could harm our reputation and adversely affect our 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, we may also be impacted by cyber-attacks against national critical infrastructures of the countries where we operate; for example the telecommunications network. Our information technology systems are dependent on such national critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect our ability to service our customers. As we do not operate such national critical infrastructure, we have limited ability to protect our information technology systems from the adverse effects of such a cyber-attack.

Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures could subject us to legal actions and administrative sanctions as well as damages and reputational harm that could materially and adversely affect our operating results, financial condition and prospects. Further, our 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 we take to detect and prevent this activity may not always be effective. In addition, we may be required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorized access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products, could produce customer claims and could materially and adversely affect us.

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 our borrowers, which could in turn increase our NPL ratios, impair our loan and other financial assets and result in decreased demand for borrowings in general. In addition, our customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect our fee and commission income. We may also be adversely affected by the negative effects of the heightened regulatory environment on our 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 our 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.

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

Any increase in the current size of the deficit in our defined benefit pension plans could result in its having to make increased contributions to reduce or satisfy the deficits, which would divert resources from use in other areas of our business. Any such increase may be due to certain factors over which we have no or limited control. Increases in its pension liabilities and obligations could have a material adverse effect on our business, financial condition and results of operations.

At 31 December 2018, our provision for pensions and other obligations amounted to 6,791 million euros.

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

Some of our operations are conducted through our financial services subsidiaries. As a result, our ability to pay dividends, to the extent we decide to do so, depends in part on the ability of our subsidiaries to generate earnings and to pay dividends to us. Payment of dividends, distributions and advances by our subsidiaries will be contingent upon their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from our Argentine subsidiaries have been subject to certain restrictions and there is no assurance that further restrictions will not be imposed. Additionally, our right to receive any assets of any of subsidiaries as an equity holder of such subsidiaries, upon their liquidation or reorganization, will be effectively subordinated to the claims of our subsidiaries' creditors, including trade creditors. We also have to comply with increased capital requirements, which could result in the imposition of restrictions or prohibitions on discretionary payments including the payment of dividends and other distributions to us by our subsidiaries.

Increased competition, including from non-traditional providers of banking services such as financial technology providers, and industry consolidation may adversely affect the Group's results of operations.

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

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

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 regulation. 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 we are unable to successfully compete with current and new competitors, or if we are unable to anticipate and adapt our offerings to changing banking industry trends, including technological changes, our business may be adversely affected. In addition, our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets, which would in turn have an

adverse effect on our competitive position and business. Furthermore, the widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt our existing products and services as we continue to grow our internet and mobile banking capabilities. Our customers may choose to conduct business or offer products in areas that may be considered speculative or risky. Such new technologies and mobile banking platforms in recent years could negatively impact our investments in bank premises, equipment and personnel for our branch network. The persistence or acceleration of this shift in demand towards internet and mobile banking may necessitate changes to our retail distribution strategy, which may include closing and/or selling certain branches and restructuring our remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of our remaining branches or to otherwise reform our retail distribution channel. Furthermore, our failure to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect on our competitive position.

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

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

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

The success of our operations and our profitability depends, in part, on the success of new products and services we offer our clients and our ability to offer products and services that meet the customers' needs during all their life cycle. However, our clients' needs or desires may change over time, and such changes may render our products and services obsolete, outdated or unattractive and it may not be able to develop new products that meet our clients' changing needs. Our success is also dependent on our 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 behavior. If we cannot respond in a timely fashion to the changing needs of our clients, we may lose clients, which could in turn materially and adversely affect us. In addition, the cost of developing products is likely to affect our results of operations.

As we expand the range of our products and services, some of which may be at an early stage of development in the markets of certain regions where we operate, we will be exposed to new and potentially increasingly complex risks and development expenses. Our employees and risk management systems, as well as our experience and that of our partners may not be sufficient to enable our to properly manage such risks. Any or all of these factors, individually or collectively, could have a material adverse effect on us.

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

If the Group is unable to manage the growth of the Group's operations, this could have an adverse impact on the Group's profitability.

We allocate management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring our businesses. From time to time, we evaluate acquisition and partnership opportunities that we believe offer additional value to our shareholders and are consistent with our business strategy. However, we may not be able to identify suitable acquisition or partnership candidates, and our ability to benefit from any such acquisitions and partnerships will depend in part

on our successful integration of those businesses. 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. We can give no assurances that our expectations with regards to integration and synergies will materialize. We also cannot provide assurance that we will, in all cases, be able to manage our growth effectively or deliver our strategic growth objectives. Challenges that may result from our strategic growth decisions include its ability to:

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

Any failure to manage growth effectively could have a material adverse effect on our 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 our control. Any of these factors, individually or collectively, could have a material adverse effect on us.

Santander Consumer USA Inc.'s ("SCUSA") financing agreement (the "Chrysler Agreement") with Fiat Chrysler Automobiles US LLC ("FCA") may not result in currently anticipated levels of growth and is subject to certain performance conditions that could result in termination of the agreement. In addition, FCA has the option to acquire an equity participation in the Chrysler Capital portion of SCUSA's business. Any of these events could have a material adverse impact on SCUSA's business, financial condition and results of operations and consequently an adverse impact on the Group.

In February 2013, SCUSA entered into the Chrysler Agreement with FCA through which SCUSA launched the Chrysler Capital brand. Under the Chrysler Agreement, which launched 1 May 2013, private-label loans and leases to facilitate the purchase of FCA vehicles by consumers and FCA-franchised automotive dealers are originated.

Under the Chrysler Agreement, FCA has the option to acquire, at fair market value, an equity participation in the business offering by providing the financial services contemplated by the Chrysler Agreement. FCA has announced its intention to establish a captive US auto finance unit and indicated that acquiring Chrysler Capital is one option it will consider. There is no maximum limit on the size of FCA's potential equity participation in such an entity. Although the Chrysler Agreement contains provisions that are designed to address a situation in which the parties disagree on the fair market value of the equity participation interest, there is a risk that SCUSA may ultimately receive less than what SCUSA believes to be the fair market value for that interest, and the loss of SCUSA's associated revenue and profits may not be offset fully by the immediate proceeds of such interest.

Moreover, the Chrysler Agreement is subject to early termination in certain circumstances, including the failure by either party to comply with certain of their ongoing obligations under the Chrysler Agreement. SCUSA's obligations include meeting specified escalating penetration rates for the first five years of the agreement. SCUSA did not meet these penetration rates. If SCUSA continues not to meet these specified penetration rates, FCA may elect to terminate the Chrysler Agreement.

On 11 July 2018, in order to facilitate discussions regarding the Chrysler Agreement, FCA and SCUSA entered into a tolling agreement pursuant to which the parties agreed to preserve their respective rights, claims and

defences under the Chrysler Agreement as they existed on 30 April 2018 and to refrain from delivering a written notice to the other party until 31 December 2018.

Termination or modification of the Chrysler Agreements, or FCA's acquisition of the business, depending on the terms of such termination, modification or acquisition option, could trigger an evaluation of the goodwill associated with our acquisition of SCUSA, which could require the goodwill to be written down if SCUSA's financial condition is materially adversely affected.

If FCA exercises its purchase option, if the Chrysler Agreement were to terminate, or SCUSA otherwise is unable to realize the expected benefits of its relationship with FCA, there could be a materially adverse impact to SCUSA's business, financial condition and results of operations and consequently an adverse impact on us.

As of 31 December 2018, SCUSA contributed 3% of the Group assets and 5% of the total operating areas' underlying profit attributable to the parent.

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 or 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 recognized at Group level in 2015, or 2016, in 2017 we recognized impairment of goodwill of €799 million in Santander Consumer USA and €100 million in Carfinco Financial Group. There can be no assurances that we 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 its senior executive team and other key employees. The ability to continue to attract, train, motivate and retain highly qualified and talented professionals is a key element of the Group's strategy. The successful implementation of the Group's strategy and culture depends on the availability of skilled and appropriate management, both at the Group's head office and in 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 or other key employees and fails to replace them in a satisfactory and timely manner, the Group's business, financial condition and results of operations, including control and operational risks, may be adversely affected.

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

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

Third party vendors and certain affiliated companies provide key components of the Group's business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third parties and affiliated companies can be a source of operational and regulatory 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 these service providers. As the Group's interconnectivity with these third parties and affiliated companies increases, the Group increasingly face 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 or affiliated companies, including as a result of them not providing the Group its services for any reason, or performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise conduct the Group's business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third party vendors could also entail significant delays and expense. Further, the operational and

regulatory risk the Group faces as a result of these arrangements may be increased to the extent that the Group restructures such arrangements. Any restructuring could involve significant expense to it and entail significant delivery and execution risk which could have a material adverse effect on the Group's business, operations and financial condition.

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

Maintaining a positive reputation is critical to protect the Group's brand, attract and retain customers, investors and employees and conduct business transactions with counterparties. Damage to the Group's reputation can therefore cause significant harm to the Group's business and prospects. Harm to the Group's reputation can arise from numerous sources, including, among others, employee misconduct, including the possibility of fraud perpetrated by the Group's employees, litigation or regulatory enforcement, failure to deliver minimum standards of service and quality, compliance failures, unethical behavior, and the activities of customers and counterparties. Further, negative publicity regarding the Group 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 the Group fails to identify and manage potential conflicts of interest properly. The failure, or 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 may be the subject of misinformation and misrepresentations deliberately propagated to harm Group's reputation or for other deceitful purposes, or by profiteering short sellers seeking to gain an illegal market advantage by spreading false information about the Group. There can be no assurance that we will effectively neutralize and contain a false information that may be propagated regarding the Group, which could have an adverse effect on our operating results, financial condition and prospects.

The Group engages in transactions with its subsidiaries or affiliates that others may not consider as being 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 it and any of affiliates, or among its affiliates, may arise, which conflicts may not be resolved in the Group's favor.

The Group may not effectively manage risks associated with the replacement of benchmark indices.

Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be "benchmarks" are the subject of increased regulatory scrutiny. For example, in 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the London interbank offered rate ("LIBOR") benchmark after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. This and other reforms, such as the EONIA replacement by €STR, the EURIBOR review or the Spanish mortgages law's reform, may cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated which introduces a number of risks for the Group. These risks include (i) legal risks arising from potential changes required to documentation for new and existing transactions; (ii) financial risks arising from any changes in the valuation of financial instruments linked to benchmark rates; (iii) pricing risks arising from how changes to benchmark indices could impact pricing mechanisms on some instruments; (iv) operational risks arising from the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes; and (v) conduct risks arising from the potential impact of communication with customers and engagement during the transition period. The replacement

benchmarks, and the timing of and mechanisms for implementation have not yet been confirmed by central banks. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would affect us. However, the implementation of alternative benchmark rates may have a material adverse effect on our business, results of operations, financial condition and prospects.

Financial Reporting and Control Risks

Changes in accounting standards could impact reported earnings.

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Group's consolidated financial statements. These changes can materially impact how the Group record and report 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. For further information about developments in financial accounting and reporting standards, see Note 1 to the Group's consolidated financial statements.

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

If the judgment, estimates and assumptions the Group uses in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a material effect on 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 U.S. Securities Exchange Act of 1934 (the "**Exchange Act**") is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the US Securities and Exchange Commission's rules and forms.

These disclosure controls and procedures have inherent limitations which include the possibility that judgments in decision-making can be faulty and that breakdowns occur because of errors or mistakes. Additionally, controls can be circumvented by any unauthorized 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, civil claims 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.

Foreign Private Issuer and Other Risks

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

Issuers of securities in Spain are required to make public disclosures that are different from, and that may be reported under presentations that are not consistent with, disclosures required in other countries, including the United States. In particular, for regulatory purposes, the Group currently prepare and will continue to prepare and make available to the Group's shareholders statutory financial statements in accordance with IFRS-IASB,

which differs from U.S. Generally Accepted Accounting Principles in a number of respects. In addition, as a foreign private issuer, the Group is not subject to the same disclosure requirements in the United States as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules under Section 16 of the Exchange Act. Accordingly, the information about the Group available to you will not be the same as the information available to shareholders of a U.S. company and may be reported in a manner that you are not familiar with.

Investors may find it difficult to enforce civil liabilities against the Group or the Group's directors and officers.

The majority of the Group's directors and officers reside outside of the United States. In addition, all or a substantial portion of the Group's assets and the assets of its directors and officers are located outside of the United States. Although the Group has appointed an agent for service of process in any action against it in the United States with respect to the Group's ADSs, none of its directors or officers has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult for investors to effect service of process within the United States on such persons.

Additionally, investors may experience difficulty in Spain enforcing foreign judgments obtained against the Group and the Group's executive officers and directors, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of Spanish counsel, there is doubt as to the enforceability against such persons in Spain, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

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

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

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

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

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

- as an ADS holder, you may not be able to exercise the same shareholder rights as a direct holder of ordinary shares;
- the Group and the depositary may amend or terminate the deposit agreement without the ADS holders' consent in a manner that could prejudice ADS holders or that could affect the ability of ADS holders to transfer ADSs; and
- the depositary may take or be required to take actions under the Deposit Agreement that may have adverse consequences for some ADS holders in their particular circumstances.

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 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland, telephone number: (+353) 16146240.
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
Adrian Masterson	Director
Fermín Cifuentes Muntadas	Director
Alfredo Madrigal Matute	Director
Mercedes Mora Palacios	Director
José Muñoz Pérez	Director
Carlos Ignacio Muñiz González	Director
Blanch	
José Manuel Colina Garea	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 is a Spanish company with legal status as a public limited company (<i>sociedad anónima</i>), with the status of a bank and is governed by the Restated Spanish Companies Act (<i>Texto Refundido de la Ley de Sociedades de Capital</i>), approved by Royal Legislative Decree 1/2010, of 2 July (<i>Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital</i>). The Guarantor is subject to special legislation for credit institutions in general, the supervision, control and regulation of the European Central Bank and, as a listed company, the regulatory supervision of the Spanish Securities Market Commission (<i>Comisión Nacional del Mercado de Valores</i>) and, as a credit institution, to Law 10/2014, of 26 June on the management, supervision and solvency of credit institutions and Royal Decree 84/2015, of 13 February, developing Law 10/2014, of 26 June, on ordination, supervision and solvency of credit institutions.
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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 2018, the Group had a market capitalisation of €64.5 billion, Shareholders' equity of €118.6 billion and total assets of €1,459.3 billion. At that date the Group had €828.9 billion in total loans to customers, €780.5 billion in total customer deposits and €157.9 billion in other customer funds under management. As of 31 December 2018, the Group had 67,572 employees and 5,998 branch offices in Continental Europe, 25,872 employees and 756 branches in the United Kingdom, 90,196 employees and 5,803 branches in Latin America, 17,309 employees and 660 branches in the United States and 1,764 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
 Homaira Akbari
 Guillermo de la Dehesa Romero
 Ignacio Benjumea Cabeza de Vaca
 Javier Botín-Sanz de Sautuola y O'Shea
 Sol Daurella Comadrán
 Carlos Fernández González
 Esther Giménez-Salinas i Colomer
 Ramiro Mato García-Ansorena
 Belén Romana García
 Álvaro Antonio Cardoso de Souza

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

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

Iberclear Paying Agent: Banco Santander, S.A.

Registrar: The Bank of New York Mellon SA/NV, Luxembourg Branch

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 plc trading as Euronext Dublin ("Euronext Dublin") for the Notes to be admitted to its Official List and trading on its regulated market, if so specified in the applicable Final Terms. Application has also been made to AIAF for the Notes to be listed and admitted to trading on the Spanish fixed income securities market, AIAF Mercado de Renta Fija ("AIAF"), if so specified in the applicable 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 EUR 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 "*Maturities*" 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 "*Summary of the Programme*" 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 applicable Final Terms in the case of Notes admitted to trading on the regulated market of Euronext Dublin or AIAF, (ii) supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus or (iii) supplemented, amended or replaced by the applicable 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**"), in bearer form, with or without interest coupons ("**Bearer Notes**") or in book-entry form (*anotaciones en cuenta*), without interest coupons ("**Book-Entry Notes**").

Registered Notes

In the case of Registered Notes, the Issuer will deliver (i) an Unrestricted Global Note Certificate (as defined below) and/or (ii) a Restricted 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 SA/NV ("**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 depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depositary, 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 Global Note Certificates. See "*Form of Notes – Global Note Certificates*".

Bearer Notes

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 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.

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 or (iii) directly for interests in a Global Note Certificate, following certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. Bearer Notes may be exchangeable for 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 applicable 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.
Partly Paid Notes:	Unless otherwise specified in the applicable Pricing Supplement in relation to Partly Paid Notes which are Exempt Notes, Partly Paid Notes will be Fixed Rate Notes or Floating Rate Notes which are not Reference Item Linked Notes. The Issue Price of Notes which are Partly Paid Notes will be payable in instalments in such amounts and on such dates specified in the Applicable Transaction Terms. The Issuer will notify the Noteholders prior to the relevant Part Payment Date and will give details of the account to which such payment shall be made. If the relevant Part Payment Amount is not paid by a Noteholder, the Issuer will give notice and will redeem all the Notes by payment of the Early Redemption Amount. No interest will be paid in respect of the period from the Part Payment Date and the date on which the Notes are redeemed early. Interest in respect of such Partly Paid Notes will be determined by reference to the paid-up amount in respect of the Notes from time-to-time.
Reference Item Linked Interest Notes:	The Applicable Transaction Terms issued in respect of each issue of reference item linked interest Notes will specify the relevant type of Note and the amounts of interest payable will be calculated as provided in the conditions of the Notes set out in this Base Prospectus for that type of Note, 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 applicable 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	The Applicable Transaction Terms issued in respect of each issue of reference item linked redemption Notes will specify the relevant

Notes:	type of Note and the redemption amounts payable or entitlements deliverable will be calculated as provided in the conditions of the Notes set out in this Base Prospectus for that type of Note, 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 applicable 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 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 or as otherwise specifically provided in the Terms and Conditions of the Notes, 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 or the Iberclear Paying Agent, as the case may be, fails to provide the Issuer with the required information described under "<i>Taxation and Disclosure of Information in connection with Payments</i>" – <i>Taxation in Spain</i>" in respect of the Notes, the Issuer may be required to withhold tax and may pay income in respect of such principal amount net of the Spanish withholding tax applicable to such payments (currently at the rate of 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 issue, subscription and first registration, form of representation, requirements, transfer and any other aspects of book-entry forms legal regime of the Book-Entry Notes and the status of the guarantee, which are 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, EEA Retail Investors, Spain, Andorra, Chile, Colombia, France, Germany, Hong Kong, Ireland, Italy, Japan, Korea, Peru, Poland, Portuguese Republic, Switzerland, Taiwan, People's Republic of China and Singapore. 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.

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, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, 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 2017 and 31 December 2018, together with the auditor's reports thereon, prepared in accordance with IFRS as adopted by the European Union;
- (2) the unaudited consolidated interim financial report for the Guarantor for the three-month period ended 31 March 2019;
- (3) Form 20-F of the Guarantor prepared under IFRS-IASB for the years ended 31 December 2017 and 31 December 2018;
- (4) the audited financial statements of the Issuer for the years ended 31 December 2017 and 31 December 2018 together with the auditor's report thereon;
- (5) the terms and conditions of the Notes set out on pages 99 to 294 of the Base Prospectus dated 25 July 2018 (the "**2018 Conditions**"), the terms and conditions of the Notes set out on pages 7 to 9 of the Supplement dated 27 November 2018 to the Base Prospectus dated 25 July 2018 (the "**2018 Supplement**"), the terms and conditions of the Notes set out on pages 101 to 296 of the Base Prospectus dated 14 July 2017 (the "**2017 Conditions**"), the terms and conditions of the Notes set out on pages 24 to 32 of the Supplement dated 5 April 2017 to the Base Prospectus dated 8 July 2016 (the "**2017 Supplement**"), the terms and conditions of the Notes set out on pages 97 to 285 of the Base Prospectus dated 8 July 2016 (the "**2016 Conditions**"), 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 25 July 2018.

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, of the Iberclear 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 Euronext Dublin at <http://www.ise.ie/Market-Data-Announcements/Debt/>. 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:

https://www.santander.com/cs/cs/Satellite/CFWCSancomQP01/en_GB/pdf/Memoria_Consolidada_Grupo_Santander_31122017_ENG.pdf

and

https://www.santander.com/csgs/Satellite/CFWCSancomQP01/en_GB/pdf/Informe_Financiero_Anual_Consolidado_2018_ENG_Acc_v2.pdf

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

https://www.santander.com/csgs/Satellite/CFWCSancomQP01/en_GB/pdf/Financial_report_Q119_INGLES.pdf

Documents (3) above are available at:

https://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/pdf/20F_2017_FINAL_es.pdf

and

https://www.santander.com/csgs/Satellite/CFWCSancomQP01/en_GB/pdf/bancosantander_form_20f2018_en.pdf

Documents (4) above are available at:

http://www.ise.ie/debt_documents/Annual%20Financial%20Statement_2d286766-f6d4-4966-81da-39362d9a149c.pdf

and

<https://www.ise.ie/app/announcementDetails.aspx?ID=14126794>

Documents (5) above are available at the following:

- i. 2018 Conditions:
https://www.ise.ie/debt_documents/Base%20Prospectus_8093e791-d85b-47fc-9b16-f10438fe8e3d.PDF
- ii. 2018 Supplement:
https://www.ise.ie/debt_documents/FSupp_ac881db1-b3f6-4dd7-854d-86493b3150d6.PDF
- iii. 2017 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_2614e0d8-d001-4de1-a49e-909c3e63078b.pdf
- iv. 2017 Supplement:
http://www.ise.ie/debt_documents/Supplements_9fb56fe5-0632-4769-b2ac-90281023c289.pdf
- v. 2016 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_6c93b211-8f00-4a48-9e3c-410dacb0a6ad.pdf
- vi. 21 October 2015 Supplement:
http://ise.ie/debt_documents/Supplements_1b55356b-2019-45c2-bd3d-e2da3081ca31.pdf
- vii. 22 December 2015 Supplement:
http://ise.ie/debt_documents/Supplements_089d68fb-fbff-4a8e-bfc2-e06d8751affb.pdf
- viii. July 2015 Conditions:
http://ise.ie/debt_documents/Base%20Prospectus_255fee15-ae4f-4ea9-88ce-138103bf5f4f.pdf
- ix. 2015 Supplement:
http://www.ise.ie/debt_documents/Supplements_a88cec99-be60-423d-ab5d-5264f12387e4.PDF?v=1252015
- x. 2014 Supplement:
http://www.ise.ie/debt_documents/Supplements_6968f374-3143-40eb-8800-6c5c02054b8e.PDF

- xi. 2013 Supplement:
http://www.ise.ie/debt_documents/Supplements_49d0e371-0e62-40c5-b8dc-b709529c5e93.PDF
- xii. July 2014 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_5c44f473-6452-4657-9aa2-0a7b94fe6495.pdf?v=2762015
- xiii. July 2013 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_d69f6e29-dc9b-44f3-ab94-172bda3c9d3f.pdf
- xiv. March 2013 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_80bb5846-b9fe-4d48-9b6b-baa69a2f9098.pdf
- xv. 2012 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_6b964f4d-e065-4217-9a81-f4f5c21e4d4b.pdf
- xvi. 2011 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_cba2bd86-e81b-4e8e-b31a-dc5ae0f61e91.pdf
- xvii. 2010 Conditions:
http://www.ise.ie/debt_documents/Banesto%20Financial%20Products%20EMTN%2042187Base_Prospectus_15946.pdf
- xviii. 2009 Conditions:
http://www.ise.ie/debt_documents/BANESTO_7802.pdf
- xix. 2008 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_497.pdf
- xx. 2007 Conditions:
http://www.ise.ie/debt_documents/EUR%2010,000,000,000%20Euro%20Medium%20Term%20Note%20Programme_9787.pdf
- xxi. 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 is available at the following:

https://www.ise.ie/debt_documents/Base%20Prospectus_8093e791-d85b-47fc-9b16-f10438fe8e3d.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 applicable Final Terms or in a Drawdown Prospectus. Such information will be contained in the applicable 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 applicable 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 applicable 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 applicable 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 by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Notes.

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 applicable Final Terms (in the case of Notes other than Exempt Notes (as defined below)) or the applicable Pricing Supplement (in the case of Exempt Notes), will be applicable to the Notes in dematerialised book-entry form or in definitive form (if any) issued in exchange for the Global Note(s) or Global Note Certificate(s) representing each Series and, subject further to simplification by deletion of non-applicable provisions, will be endorsed on such definitive Bearer Notes or on the Certificates relating to such definitive Registered Notes, details of the relevant Series being shown on the relevant definitive Notes or Certificates and in the applicable 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 on or around 17 July 2019 (the "**Agency Agreement**") between Santander International Products plc as issuer (the "**Issuer**"), Banco Santander, S.A. as guarantor (the "**Guarantor**") and as Iberclear paying agent in respect of Book-Entry Notes (the "**Iberclear Paying Agent**"), 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, the Iberclear 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**") and transparency directive agent, The Bank of New York Mellon as the U.S. paying and transfer agent, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**"), and with the benefit of a deed of covenant dated on or around 17 July 2019 (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 on or around 17 July 2019 (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" and/or "relevant Applicable Transaction Terms" will be deemed to be a reference to "Final Terms" and/or "applicable Final Terms"; and/or "Pricing Supplement" and/or "applicable Pricing Supplement", as appropriate in respect of each Series of Notes. Where this Note is issued under a standalone prospectus (a "**Drawdown Prospectus**"), references to the Applicable Transaction Terms, Final Terms or Pricing Supplement, as the case may be, shall be deemed to be references to the Drawdown Prospectus, as the context requires.

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;

"Administrator/Benchmark Event" means the Calculation Agent determines that (1) a Benchmark Modification or Cessation Event has occurred or will occur or (2) any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of a relevant Benchmark or the administrator or sponsor of a relevant Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case, with the effect that the Issuer or the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the relevant Benchmark to perform its or their respective obligations under the Notes or (3) it is not commercially reasonable to continue the use of Benchmark in connection with the Notes from the perspective of the Issuer or the Calculation Agent or the Issuer or the Calculation Agent suffers or will suffer an increased cost, in each case, as a result of any applicable licensing restrictions or changes in the cost of obtaining or maintaining any relevant licence (including, without limitation, where the Issuer, the Calculation Agent or any other entity is required to hold a valid licence in order to issue or perform its obligations in respect of the Notes and for any reason such licence is either not obtained, not renewed or is revoked or there is a material change in the cost of obtaining or renewing such licence) or (4) there has been an official announcement by the supervisor of the administrator and/or sponsor of a relevant Benchmark that the relevant Benchmark is no longer representative of any relevant underlying market(s);

"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;

"AIAF" means the Spanish fixed income securities market, AIAF Mercado de Renta Fija operated by Bolsas y Mercados Españoles Renta Fija, S.A.U.;

"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 Transaction 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;

"Benchmark" means any figure which is a benchmark as defined in BMR by reference to which any amount payable or deliverable under the Notes, or the value of the Notes, is determined by reference in whole or in part, all as determined by the Calculation Agent;

"Benchmark Modification or Cessation Event" means, in respect of the Benchmark any of the following:

- (a) any material change in such Benchmark;
- (b) the permanent or indefinite cancellation or cessation in the provision of such Benchmark; or
- (c) a regulator or other official sector entity prohibits the use of such Benchmark;

"BMR" means the EU Benchmarks Regulation (Regulation (EU) 2016/1011), as amended from time to time;

"Business Day" means:

- (a) either (i) in relation to any sum payable in euro, a TARGET2 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 and are open for general business (including dealing in foreign exchange and foreign currency deposits) in (a) in the case of Notes other than Book-Entry Notes, London and the Principal Financial Centre of the Relevant Currency or (b) in the case of Book-Entry Notes, Madrid and the Principal Financial Centre of the Relevant Currency;
- (b) 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 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 TARGET2 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 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 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;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a 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 Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which 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:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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, which, in the case of Partly Paid Notes shall be the Partly Paid Early Redemption Amount. 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;

"Iberclear" means *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal*;

"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 or (ii) the day falling two London Business Days prior to the first day of such Interest Period if the Relevant Currency is not sterling, or (iii) the

day falling two TARGET2 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 or the relevant payment date if the Notes become payable on a date other than an 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;

"London Business Day" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

"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 applicable 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;

"Outstanding Principal Amount" means the paid-up amount of each Calculation Amount from time to time, subject as provided in Condition 6(h);

"Partly Paid Early Redemption Amount" means an amount in respect of each Calculation Amount equal to the Outstanding Principal Amount of such Calculation Amount as of the Part Payment Date immediately preceding the date of early redemption, without taking into account any amounts paid on or after the relevant Part Payment Date, as further described in Condition 6(h);

"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 or superseded), 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), the Amortised Face Amount (in respect of Zero Coupon Notes) 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) in the case of Notes other than Book-Entry Notes, 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 the relevant place of presentation; and
 - (ii) in the case of Book-Entry Notes, 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 Madrid; and
 - (iii) in the case of payment by transfer to an account, a TARGET2 Settlement Day and 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 each (if any) Additional Financial Centre (as may be specified in the relevant Applicable Transaction Terms); or
- (b) if the currency of payment is not euro, any day which is:
 - (i) in the case of Notes other than Book-Entry Notes, 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 the relevant place of presentation; and
 - (ii) in the case of Book-Entry Notes, 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 Madrid; and
 - (iii) in the case of payment by transfer to an account, 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 the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre (as may be specified in the relevant Applicable Transaction Terms);

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

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent, the Iberclear 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;

"TARGET2 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**

(a) ***Bearer Notes and Registered Notes***

The Notes may be issued in bearer form ("**Bearer Notes**", which expression includes Notes which are specified to be Exchangeable Bearer Notes), in registered form ("**Registered Notes**"), 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 Bearer Notes which do not bear interest or which are 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 Bearer Note, Receipt, Coupon or Talon or Registered Note shall be deemed to be and may be treated as the absolute owner of such Bearer Note, Receipt, Coupon or Talon or Registered Note, 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 Bearer Note, Receipt, Coupon or Talon or Registered Note, 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 Bearer Note, Receipt, Coupon or Talon or a Registered Note) 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).

(b) **Book-Entry Notes**

The Notes may be issued in dematerialised book-entry form (*anotaciones en cuenta*) ("**Book-Entry Notes**") in the Specified Denomination(s) specified in relation thereto. Book-Entry Notes may not be exchanged for Bearer Notes or Registered Notes and vice versa.

Book-Entry Notes may be transferred and title to the Book-Entry Notes may pass, in accordance with Spanish law and with all rules, restrictions and requirements of Iberclear (or, as the case may be, the relevant Iberclear Member), upon registration in the central registry (the "**Central Registry**") or, as the case may be, the registry maintained by the relevant member (*entidad participante*) of Iberclear ("**Iberclear Member**"). Except as otherwise required by Spanish law, each holder of Book-Entry Notes will be treated as the absolute owner of the relevant Book-Entry Note for all purposes and no person will be liable for so treating the holder of Book-Entry Notes.

The creation of limited in rem rights or any other encumbrance on the Book-Entry Note must be entered in the corresponding account and effected in accordance with the then current procedures of Iberclear (or relevant Iberclear Member).

One or more certificates evidencing the relevant Noteholder's holding of Book-Entry Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Noteholder is itself a Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the procedures of the relevant Iberclear Member or, as the case may be, Iberclear) to such Noteholder upon such Noteholder's request.

In these Conditions, "holder" in relation to Book-Entry Notes means the persons registered in the Central Registry maintained by Iberclear or in the registry maintained by the Iberclear Member. Any reference herein to Receipts, Coupons and Talons and to their respective holders shall not be applicable.

(c) **Definitions**

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 Bearer Notes (in the case of Bearer Notes) or the Certificates (in the case of Registered 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(e) (*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 the Kingdom of Spain ("**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 (in the case of Notes other than Book-Entry Notes), 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, the Iberclear Paying Agent or the 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 (or, in the case of Partly Paid Notes, to the Outstanding Principal Amount in respect of the Calculation Amount as of the first day of the relevant Interest Period), multiplying the product by the relevant Day Count Fraction. The resultant figure shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention 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 Linked Note Provisions are specified in the relevant Applicable Transaction Terms as being applicable or if the Other Reference Item Linked Interest Note 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 (in the case of Notes other than Book-Entry Notes), 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, the Iberclear Paying Agent or the 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, such Rate of Interest or the relevant the Rate in respect of an Interest Period will be determined by the Calculation Agent on the following basis and the Rate of Interest or Rate 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 of Interest or Rate in respect of 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 of Interest or Rate will be the rate or (as the case may be) the arithmetic mean last available on the Relevant Screen Page.

- (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 (as defined in the ISDA Definitions) 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 relevant 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 relevant 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 relevant 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 below, in the relevant Applicable Transaction Terms and, where applicable, the Payout Conditions.
 - (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 (or, in the case of Partly Paid Notes, to the Outstanding Principal Amount in respect of the Calculation Amount as of the first day of the relevant Interest Period), 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(e)(vi), Condition 6(f) 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, the Iberclear Paying Agent or the 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***

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.

(g) ***Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as set out above on the Outstanding Principal Amount of such Notes from time to time and otherwise as specified in the Applicable Transaction Terms.

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 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 or (in the case of Book-Entry Notes) the Iberclear 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) ***Redemption or adjustment for an Administrator/Benchmark Event***

In the event that an Administrator/Benchmark Event occurs, the Issuer may (at its option):

- (i) instruct the Calculation Agent to make such adjustments to the Conditions of the Notes as it may determine appropriate to account for the relevant event or circumstance and, without limitation, such adjustments may (a) consist of one or more amendments and/or be made on one or more dates (b) be determined by reference to any adjustment(s) in respect of the relevant event or circumstance made in relation to any hedging arrangements in respect of the Notes and (c) include selecting a successor benchmark(s) and making related adjustments to the Conditions of the Notes including where applicable to reflect any increased costs of the Issuer providing such exposure to the successor benchmark(s) and, in the case of more than one successor benchmark, making provision for allocation of exposure as between the successor benchmarks; or
- (ii) having given not less than 10 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at its Early Redemption Amount.

For the avoidance of doubt, the above is additional, and without prejudice, to any other terms of the Notes. In the event that under any such terms any other consequences could apply in

relation to an event or occurrence the subject of an Administrator/Benchmark Event, the Issuer shall determine which terms shall apply in its sole and absolute discretion.

(d) ***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.

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

- (i) Subject to paragraph (v) below, if so provided hereon, the Issuer may (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 in respect of Notes, other than Book-Entry Notes, 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) In the case of a partial redemption of Book-Entry Notes, the Redeemed Notes will be selected in accordance with the rules of Iberclear.
- (v) Notes (other than Book-Entry Notes) to be redeemed shall have been drawn in such place as the Principal Paying Agent may approve in such manner as it deems appropriate, subject to compliance with any applicable laws and competent authority, stock exchange and/or quotation system requirements.
- (vi) Subject to paragraph (v) 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).

(f) ***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 Bearer Notes or Registered 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 Book-Entry Notes held through Iberclear, to exercise the right to require redemption of such Book-Entry Note, the holder of such Book-Entry Note must, within the notice period specified in the Applicable Transaction Terms, give notice to the Iberclear Paying Agent of such exercise in accordance with the standard procedures of Iberclear (which may include notice being given on the instruction of such holder by Iberclear, or any Iberclear Member to the Iberclear Paying Agent by electronic means) in a form acceptable to Iberclear from time to time.
- (iv) 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.

(g) ***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.

(h) ***Partly Paid Notes***

Where the Applicable Transaction Terms specify that the Notes are Partly Paid Notes, the issue price in respect thereof will be payable in instalments (each a "**Part Payment Amount**") on the dates specified in the Applicable Transaction Terms (each a "**Part Payment Date**").

The Issuer will notify the Noteholders in accordance with Condition 14 not less than the number of days specified in the Applicable Transaction Terms prior to the relevant Part Payment Date of their obligation to pay the relevant Part Payment Amount and shall specify the account of the Issuer to which the relevant Part Payment Amount shall be made. The relevant Part Payment Amount shall be paid by the Noteholders in immediately available funds to the account specified by the Issuer in the notice, for value on the Part Payment Date. Upon payment of the relevant Part Payment Amount in respect of all the Notes, the Outstanding Principal Amount in respect of each Calculation Amount shall increase as of the relevant Part Payment Date, as specified in the Applicable Transaction Terms.

In the event that a Part Payment Amount is not paid by any Noteholder on the relevant Part Payment Date (the "**Part Payment Default Date**"), the Issuer shall as soon as practicable thereafter notify the Principal Paying Agent, the Iberclear Paying Agent or the Registrar, as applicable, of such non-payment and the Issuer shall, having given not less than 5 Business Days' (or such other notice period as specified in the Applicable Transaction Terms) notice to the Noteholders in accordance with Condition 14, redeem all the Notes by payment of the Early Redemption Amount on the Part Payment Early Redemption Date specified in the Applicable Transaction Terms. For the avoidance of doubt, if the Notes become redeemable on the Part Payment Early Redemption Date, no interest will be payable by the Issuer in respect of the period from (and including) the Part Payment Default Date to (and including) the Part Payment Early Redemption Date and the Issuer's obligations in respect of the Notes shall be discharged upon payment of the relevant Early Redemption Amount.

Repayment by the Issuer of Part Payment Amounts:

- (i) If the Part Payment Amount in respect of any Note is not paid on the relevant Part Payment Date; and/or
- (ii) if any Part Payment Amount is paid after the relevant Part Payment Date in respect of any Notes,

the Part Payment Amounts for the relevant Part Payment Date in respect of all the Notes shall be deemed not to have been paid and, for the avoidance of doubt, the Outstanding Principal Amount shall not include such amounts, the Issuer shall not accept the Part Payment Amount(s) paid in respect of any of the other Notes outstanding and shall repay any such amounts paid or paid late to the relevant Noteholders as soon as practicable to the account used by the relevant Noteholder to pay the relevant Part Payment Amount. In such case, no interest will be payable by the Issuer in respect of the period from (and including) the relevant Part Payment Date to (and including) the date on which such amount is repaid by the Issuer and, for the avoidance of doubt, any such repaid amounts shall not constitute part of the Early Redemption Amount in respect of the relevant Notes.

(i) ***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, (i) 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, (ii) in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and (iii) in the case of Book-Entry Notes, by virtue of debiting, in the account of the relevant registry where the Book-Entry Notes are registered, each such Book-Entry Note against the credit of all relevant payments in relation to the relevant Note and, in each case, if so surrendered or debited, 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 or so debited may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

(j) ***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(e) or 6(f) 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 Authorised Face Amount calculated as provided in Condition 1 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.

(k) ***Specific Basis Buy-Back Provisions***

(i) ***Buy-Back***

If the Specific Basis Buy-Back Provisions are specified as applicable in the Applicable Transaction Terms, upon the Holder of any Note giving to the Issuer the requisite period of notice, as specified in the Applicable Transaction Terms in accordance with the provisions set out below (which notice shall be irrevocable) to buy-back such Note before its scheduled Maturity Date, the Issuer may, at its sole option, upon the expiry of such notice, buy-back such Note by paying an amount (which may be less than par) that is linked to the Market Value of the Underlying Transactions as described below, together, if appropriate, with any accrued but unpaid interest to (but excluding) the date of such buy-back. The Issuer has the right, at its sole option, to reject the buy-back request and, in particular, if the Issuer does not reply to the notice, the Issuer shall be deemed to have rejected the buy-back request.

The value of such Notes prior to the Maturity Date shall reflect and shall be calculated on the basis of the Market Value of the Underlying Transactions and, in the event that a Holder requests that the Issuer buy-back any such Notes held by it prior to the Maturity Date, and the Issuer accepts such request, the price at which the Issuer will buy-back such Notes (the Buy-Back Price) will be determined taking into consideration the Market Value of such Underlying Transactions.

(ii) Extra-Yield

The Issuer shall pay a higher remuneration (the "**Extra-Yield**") in respect of such Notes. More information on the calculation of the interest basis in respect of the Notes (unbundling) shall be published by the Issuer from time to time together with information relating to the Underlying Transactions as described below.

(iii) Notice from the Holders

In order to notify the Issuer, the relevant Holder must give such notice in writing by hand, mail or e-mail in accordance with the relevant contact details specified in the relevant Applicable Transaction Terms, or in relation to Exempt Notes, in such other manner as is specified in the applicable Pricing Supplement. Each Holder must also provide evidence satisfactory to the Issuer of its holding of the relevant Notes which may be in the form of certification from a relevant clearing system or such requirement may be satisfied by delivery of the Note(s) held by such Holder together with the relevant notice, or such other appropriate manner determined by the Issuer.

Any such notice shall be effective when received by the Issuer and, if received after close of business in the place of receipt or on a day that is not a Business Day, such notice shall be deemed to be effective on the next following Business Day.

(iv) Definitions

For the purpose of this Condition 6(k):

"Buy-Back Price" means the buy-back price of the Notes as determined by the Calculation Agent in a commercially reasonable manner taking into consideration the Market Value of the Underlying Transactions.

"Market Value" means the close-out amount of the Underlying Transactions, including the relevant bid/ask prices for all the Notes and for any type of hedging and/or funding arrangement and/or interest rate swap, as determined by the Calculation Agent in a commercially reasonable manner.

"Underlying Transaction" means any type of hedging and/or funding arrangement and/or interest rate swap and/or any of the following funded or unfunded arbitrage-like financial transactions:

- (i) Cash-CDS Arbitrage;
- (ii) Index-Components Arbitrage; and/or
- (iii) General Funded Arbitrage,

The Underlying Transactions will be selected from time to time by the Calculation Agent in its reasonable discretion and may be subject to change during the term of the Notes. Information relating to the Underlying Transactions shall be published from time to time by the Issuer in the manner specified in the Applicable Transaction Terms and where the Notes are listed on any stock exchange or market, in accordance with the rules of the applicable stock exchange or market from time to time.

For the purposes hereof:

"Cash-CDS Arbitrage" means:

Long (Short): Cash Instrument + Short (Long): Replicating CDS

Where:

"Long (Short): Cash Instrument" means a long or short position in any debt obligation (including any obligation issued by the Issuer) or basket of debt obligations, in security or loan form, with maturity(ies)/term(s) which end on or after the Maturity Date of the Notes and/or notional amount(s) that may be equal to or higher than the aggregate principal amount of the Notes;

"Short (Long): Replicating CDS" means a short position (where a long position in the Cash Instrument is taken) or a long position (where a short position in the Cash Instrument is taken) in a credit default swap transaction having similar terms and notional amounts as the Cash Instrument and having as a "reference entity" (i) the issuer or guarantor of the Cash Instrument (including the Issuer or the Guarantor or any affiliate of the Issuer or the Guarantor), or (ii) in the case of Cash Instruments that are asset-backed obligations any issuer of any relevant assets referenced by such Cash Instruments, or (iii) in the case of Cash Instruments that are credit linked obligations, the reference entity referenced by the relevant Cash Instrument, or (iv) any other entity, the credit risk in respect of which is embedded in or referenced by such Cash Instrument.

"Index-Components Arbitrage" means:

Long (Short): Credit Index CDS + Short (Long): CDS Components

where:

"Long (Short): Credit Index CDS" means a long or short position in any credit default swap transaction referencing any series of any credit default swap index published by IHS Markit Ltd. (or any successor entity or affiliate thereof), and any successor and/or replacement index (each a "**Credit Index**"), including, for the avoidance of doubt, the Markit iTraxx and Markit CDX indices, as selected by the Calculation Agent in its sole and absolute discretion, and with term(s) which end on or after the Maturity Date of the Notes and/or notional amount(s) that may be equal to or higher than the aggregate principal amount of the Notes. A Credit Index CDS may also be a portfolio of tranching credit default swap index transactions, each referencing a tranche of the relevant Credit Index so that, in the aggregate, the tranches represent an exposure to a notional amount equal to or greater than the aggregate principal amount of the Notes.

"Short (Long): CDS Components" means a short position (where a long position in the Credit Index CDS is taken) or a long position (where a short position in the Credit Index CDS is taken) in a basket of single-name credit default swap transactions each referencing one of the "reference entities" contained in the relevant Credit Index referenced by the corresponding Credit Index CDS and which, in the aggregate, have similar terms, notional amounts and interest payments as the Credit Index CDS. A CDS Component may also be a basket of portfolios of tranching credit default swap index transactions, each referencing a tranche of the relevant Credit Index in respect of the relevant reference entity so that, in the aggregate, the tranches represent an exposure to a notional amount equal to the notional amount of the relevant Credit Index CDS.

"General Funded Arbitrage" means:

Long (Short): General Assets/Instruments + Short (Long): Replicating Derivatives

where:

"Long (Short): General Assets/Instruments" means a long or short position in any asset or instrument (including funds or obligations, including those which are asset-backed) linked to, inter alia, credit, rates, equities, commodities or currencies, with a term (or equivalent) which ends on or after the Maturity Date of the Notes and/or a notional amount (or equivalent) that may be equal to or higher than the aggregate principal amount of the Notes.

"Short (Long): Replicating Derivatives" means a short position (where a long position in the General Assets/Instruments is taken) or a long position (where a short position in the General Assets/Instruments is taken) in any derivative transaction having similar terms and notional amounts as the General Assets/Instruments, and referencing the relevant General Assets/Instruments, or any of the assets underlying or linked to the relevant General Assets/Instruments.

Examples of General Funded Arbitrage would include, but not be limited to:

- (i) a commodity certificate and a future (a "cash and carry arbitrage"); or
- (ii) a convertible bond and a credit default swap transaction plus an equity option (a "convertible arbitrage").

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(g)(vi) (*Unmatured Coupons and Receipts and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 7(g)(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 Principal Paying Agent, the Transfer Agents or 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 on (a) in the case of payments of interest, the fifteenth day (whether or not such day is a business day) or (b) in the case of payments of principal as set out in Condition 7(b)(i) above, the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date for payment (the "**Record Date**"). 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) ***Book-Entry Notes***

Payments in respect of the Book-Entry Notes (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Noteholder maintained by or on behalf of it with a bank that processes payments in the currency in which the payment is due, details of which appear in the records of Iberclear or the relevant Iberclear Member, as the case may be, at the close of business on the Business Day on which the payment of principal and/or interest, as the case may be, falls due. Noteholders must rely on the procedures of Iberclear, or the relevant Iberclear Member, as the case may be, to receive payments under the relevant Book-Entry Notes. None of the Issuer, the Guarantor, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent will have any responsibility or liability for the records relating to payments made in respect of the Book-Entry Notes. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(e) ***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 any law implementing an intergovernmental approach thereto (any such withholding or deduction "**FATCA Withholdings**"), and (iii) Section 871(m) of the Code (any such withholding or deduction, "**871(m) Withholding**"). In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the Notes, the Issuer shall be entitled to withhold on any "dividend equivalent" (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law. Payments on the Notes that reference U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70%. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30% of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) ***Appointment of Agents***

The Principal Paying Agent, the Iberclear 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 Iberclear 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, the Iberclear 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) an Iberclear Paying Agent in relation to Book-Entry Notes, (iii) a Registrar in relation to Registered Notes, (iv) a Transfer Agent in relation to Registered Notes, (v) a Calculation Agent where the Conditions so require one, (vi) Paying Agents in relation to Notes other than Book-Entry Notes having a specified office in at least one major European city, other than the jurisdiction in which the Issuer or the Guarantor is incorporated, 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*).

(g) ***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 unmaturing Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing 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, unmaturing 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 unmaturing 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.

(h) **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*)).

(i) **Non-Business Days**

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

(j) **Physical Delivery**

(i) Physical Delivery

This Condition 7(j) 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:

(1) If such Note is a Note other than a Book-Entry Note, 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, in the case of (I) or (II) above, with a copy to 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 described in the Agency Agreement (the "**Asset Transfer Notice**"), or

(2) If such Note is a Book-Entry Note:

I. where the Entitlement is also a security (or securities) included in Iberclear's book-entry register, then the Iberclear Paying Agent must receive instructions from each Iberclear Member holding Book-Entry Notes on the Cut-off Date. Such instructions shall include complete settlement instructions, incorporating relevant information in respect of the Noteholders holding Book-Entry Notes through each Iberclear Member and an undertaking to pay all Expenses and such instructions shall include (or be accompanied by) certification as to non U.S. beneficial ownership. Each Iberclear Member holding Book-Entry Notes must block such Book-Entry Notes in the relevant account from and including the Cut-off Date; and

II. where the Entitlement comprises an instrument (or instruments) not included in Iberclear's book-entry register, each Iberclear Member holding Book-Entry Notes on the Cut-off Date must send timely and full settlement instructions to the Iberclear Paying Agent with a copy to any Delivery Agent acting on the Issuer's behalf sufficient to allow the Issuer, or, where applicable, the Delivery Agent, to make delivery of the Entitlement in the relevant clearing system (where relevant) or otherwise on the Delivery Date in accordance with the provisions of

this Condition 7(j) and such instructions shall include (or be accompanied by) certification as to non U.S. beneficial ownership.

For the avoidance of doubt, where the settlement instructions contemplated by this sub-paragraph (2) apply, this replaces the requirement to deliver an Asset Transfer Notice in accordance with the provisions below. All instructions for settlement to be delivered in accordance with this subparagraph (2) will be referred to as the "**Iberclear Settlement Instruction**".

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 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
- (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 or the Iberclear Settlement Instruction, as the case may be, 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 (in the case of Notes other than Book-Entry Notes), and shall be conclusive and binding on the Issuer, the Guarantor (if applicable), the Paying Agent(s), any Delivery Agent and the relevant Noteholder. Subject as set out below, any Asset Transfer Notice or Iberclear Settlement Instruction, as the case may be, so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent (in the case of Notes other than Book-Entry Notes) and/or any Delivery Agent (as applicable) 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 (as applicable), it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

If such Iberclear Settlement Instruction is subsequently corrected to the satisfaction of the Iberclear Paying Agent it shall be deemed to be a new Iberclear Settlement Instruction submitted at the time such correction was delivered as provided above.

The relevant Delivery Agent, 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 or, in respect of Book-Entry Notes, the Iberclear Member submitting the Iberclear Settlement Instruction, if, in consultation with the Principal Paying Agent (in the case of Notes other than Book-Entry Notes), it has determined that such Asset Transfer Notice or Iberclear Settlement Instruction (as applicable) 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 Delivery Agent, 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 or Iberclear Settlement Instruction may be withdrawn after receipt thereof by the Delivery Agent, the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice or Iberclear Settlement Instruction, 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(j), the "**Delivery Date**"), at the risk of the relevant Noteholder in the manner provided below and provided that the Asset Transfer Notice or (in the case of Book-Entry Notes) the Iberclear Settlement Instruction, 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 or (in the case of Book-Entry Notes) an Iberclear Settlement Instruction, 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 or Iberclear Settlement Instruction (as applicable) is not delivered to each relevant party, 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 or Iberclear Settlement Instruction (as applicable) 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 Iberclear Settlement Instruction (as applicable) 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(j)(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(j); 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(j)(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 indicates 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(j)

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 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, a holder or to the beneficial owner of the Notes who is liable for such taxes in respect of such Note by reason of his having some connection with Spain other than the mere holding of such Notes; or
- (b) to, or to a third party on behalf of, individuals resident for tax purposes in Spain if payments made to such individuals are not exempt from withholding tax; or
- (c) 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 such 30th day; or
- (d) to, or to a third party on behalf of, a holder or to the beneficial owner in respect of whose Notes the Issuer does not receive in a timely manner a duly executed and completed certificate from the Principal Paying Agent or Iberclear Paying Agent, as applicable, pursuant to Law 10/2014 and Royal Decree 1065/2007, and any implementing legislation or regulation; or
- (e) to, or to a third party on behalf of, Spanish resident corporate entities subject to Spanish Corporate Income Tax, if the Spanish Tax Authorities determine that the Notes do not comply with applicable exemption requirements, including those specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or
- (f) to, or to a third party on behalf of, a Spanish resident holder of a Implicit Yield Notes with a duration of more than 12 months; or
- (g) 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 to avoid any withholding tax upon the payment or interest; or
- (h) 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.

In addition, additional amounts will not be payable with respect to any taxes that are imposed in respect of any combination of the items set forth above.

Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding or 871(m) Withholding.

The sale, transfer, or acquisition of Implicit Yield Notes other than Book-Entry 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 other than Book-Entry 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 (i) will recognise any Spanish Individual as an owner of Implicit Yield Notes other than as an owner of Book-Entry Notes or (ii) list any Implicit Yield Notes other than Book-Entry Notes on AIAF.

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.

Notwithstanding any other provision of these Conditions, in no event will the Issuer or the Guarantor be required to pay any additional amounts in respect of the Notes, Receipts and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

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 or (in the case of Book-Entry Notes) the Iberclear 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 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 Receiptholders and Couponholders.

These Conditions may be supplemented, amended, modified, or replaced in relation to any Series of Notes by the terms of the applicable 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 applicable 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 Receiptholders 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.

All notices regarding Book-Entry Notes may be given by delivery to the Noteholders by registered mail to the addresses appearing in the relevant registries maintained by Iberclear or, as the case may be, the relevant Iberclear Member or by any other means which comply with Spanish law and the rules applicable to the giving of notices to investors and, if the Book-Entry Notes are listed on AIAF, the rules of AIAF.

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 Issuer and the Guarantor 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.
 - (f) On the substitution of any Substitute, amendments may be made to the Conditions to reflect the regulatory position of such Substitute, including without limitation, to reflect the requirements of any Bail-In Legislation.

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 provisions of (i) Condition 4(b) relating to the status of the guarantee and (ii) the issue, subscription and first registration, form of representation, requirements, transfer and any other aspects of book entry forms legal regime of the Book-Entry Notes (as described in Condition 2(b)) and, in either case, all non-contractual obligations arising out of or in connection therewith, which are 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 waives 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, 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 England 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 or, in the case of any written demand of any holder of Book-Entry Notes, to the specified office of the Iberclear 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 or Iberclear Paying Agent, as applicable. 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 relevant 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 does 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 does 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 Notes other than Inflation Linked Notes, Credit Linked Notes, Foreign Exchange (FX) Rate Linked Notes and Fund Linked Notes which are not 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 the last day of the relevant 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 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*).

"AER Value Automatic Early Redemption Event" means, in respect of Index Linked Notes, Share Linked Notes and Fund Linked Notes only, 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 Amount" means an amount, in respect of each nominal amount 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 occurrence of an AER Value Automatic Early Redemption Event or a Target Coupon Automatic Early Redemption Event, 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 relevant 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.

"Target Coupon Automatic Early Redemption Event" means the Accumulated Coupon (as defined in Payout Condition 5.1) is greater than or equal to the Target Coupon Percentage.

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 relevant 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.

22. **Contractual Recognition and Acknowledgment of Bail-in Powers**

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements, or understandings between the Issuer, the Guarantor and any Noteholder, by its

acquisition of the Notes, each Noteholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Notes) acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority, and acknowledges, accepts, consents and agrees to be bound by:

- (a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or some combination thereof:
 - (i) the reduction of all, or a portion, of the amounts due under the Notes;
 - (ii) the conversion of all, or a portion, of the amounts due under the Notes into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Noteholders of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
 - (iii) the cancellation of the Notes;
 - (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest (if any) payable on the Notes, or the dates on which the interest becomes payable, including by suspending payment for a temporary period;
- (b) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.
- (c) For the purposes of this Condition 22:

"Bail-In Legislation" means the European Union (Bank Recovery and Resolution) Regulations 2015 (S.I. No. 289/2015) (as amended or re-enacted).

"Bail-in Powers" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any law or regulation in effect in Ireland, relating to the transposition of Directive 2014/59/EU (as amended or re-enacted) establishing a framework for the recovery and resolution of credit institutions and investment firms, including but not limited to the Bail-In Legislation and Regulation (EU) No 806/2014 (as amended or re-enacted) and the instruments, rules and standards created thereunder, pursuant to which: (a) any obligation of a bank or investment firm or affiliate of a bank or investment firm can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such entity or any other person (or suspended for a temporary period); and (b) any right in a contract governing an obligation of a bank or investment firm or affiliate of a bank or investment firm may be deemed to have been exercised.

References in this Condition to a "regulation" include any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation.

"Relevant Resolution Authority" means the resolution authority with the ability to exercise any Bail-in Powers in relation to the Issuer.

- (d) No repayment or payment of amounts due under the Notes will become due and payable or be paid after the exercise of any Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.
- (e) Neither a reduction or cancellation, in part or in full, of the amounts due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the Bail-in Power by the Resolution Authority with respect to the Notes will be an Event of Default.

- (f) Upon the exercise of the Bail-in Power by the Resolution Authority with respect to the Notes, the Issuer will give notice to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable regarding such exercise of the Bail-in Power.

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 relevant 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 relevant 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 relevant 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 Event"** 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 any 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, subject as referred to in relation to any 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 Event"** 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 temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

"Exchange Business Day" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day Convention" means any of the following, as specified in the Applicable Transaction Terms:

- Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Shares comprised in the Basket, the Valuation Date will be deemed to be, only for that Share, the first succeeding Exchange Business Day.
- Modified Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Shares comprised in the Basket, the Valuation Date will be deemed to be, only for that Share, the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date for that Share will be the first preceding day that is an Exchange Business Day.

"Related Exchange" means each exchange or quotation system specified as such for each Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to each Share has temporally relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to each Share on such temporary substitute exchange or quotation system as on the original Related Exchange), 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.

"Share Basket" means, where the Share Basket Linked Notes are linked to the performance of more than one Share, a basket comprising such Shares, as specified in the Applicable Transaction Terms.

"Share Issuer" means, in respect of a Share, the issuer of the Share as specified in the Applicable Transaction Terms.

"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 Event"** 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).

"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, subject as referred to in relation to any 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 each Index in 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.

"Share Index Basket" means, where the Share Index Basket Linked Notes are linked to the performance of more than one Share Index, a basket comprising such Shares Indices, as specified in the Applicable Transaction Terms.

"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.

"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 Event"** 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 relevant 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, 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**") 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 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 U.S. 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.
- (I) Where the Standard Terms are applicable to determine the Deliverable Obligations the row entitled "Physical Settlement Period" shall not be applicable.

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 or, (in the case of Book-Entry Notes) the specified office of the Iberclear 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.

"Iberclear Settlement Instruction" has the meaning given to it in Credit Linked Condition 21 (*Physical Delivery*).

"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.

"Japanese Default Requirement" means, if the Specified Currency is Japanese Yen, JPY1,000,000,000, or in all other cases, U.S.\$10,000,000 or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

"Japanese Payment Requirement" means, if the Specified Currency of the Notes is Japanese Yen, JPY100,000,000, or in all other cases, U.S.\$1,000,000 or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency as of the occurrence of the Failure to Pay or Potential Failure to Pay, as applicable.

"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 or (in the case of Book-Entry Notes) the specified office of the Iberclear 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.

The Calculation Agent will also determine the Standard Terms as set out in Credit Linked Condition 22 which will apply to any Successor and/or all relevant elections in respect of the Successor for purposes of the Applicable Transaction Terms in a commercially reasonable manner.

"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, in the case of Book-Entry Notes, an Iberclear Settlement Instruction 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 and/or the Applicable Transaction Terms 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 Certificate 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) Terms used in this Credit Linked Condition 21 but not defined in the Conditions shall be as defined in the relevant global Note. If any Credit Linked Note, other than a Credit Linked Note represented by a U.S. Global Note Certificate, 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;
- (Y) if such Note is in definitive form, the relevant Noteholder must deliver (i) if such Note is a Bearer Note, to any Paying Agent or (ii) if such Note is a Registered Note in the Registrar or 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 specified office of the Registrar or any Paying Agent; and
- (Z) if such Note is a Book-Entry Note:
 - i. where the Asset Amount is also a security (or securities) included in Iberclear's book-entry register, then the Iberclear Paying Agent must receive instructions from each Iberclear Member holding Book-Entry Notes on the Cut-off Date. Such instructions shall include complete settlement instructions, incorporating relevant information in respect of the Noteholders holding Book-Entry Notes through each Iberclear Member and an undertaking to pay all Delivery Expenses and such instructions shall include (or be accompanied by) certification as to non U.S. beneficial ownership. Each Iberclear Member holding Book-Entry Notes must block such Book-Entry Notes in the relevant account from and including the Cut-off Date; and
 - ii. where the Asset Amount comprises an instrument (or instruments) not included in Iberclear's book-entry register, each Iberclear Member holding Book-Entry Notes on the Cut-off Date must send timely and full settlement instructions to the Iberclear Paying Agent sufficient to allow the Issuer to make delivery of the Asset Amount in the relevant clearing system (where relevant) or otherwise on the Credit Settlement Date in accordance with the provisions of this Credit Linked Condition 21 and such instructions shall include (or be accompanied by) certification as to non U.S. beneficial ownership.

For the avoidance of doubt, where the settlement instructions contemplated by this sub-paragraph (Z) apply, this replaces the requirement to deliver an Asset Transfer Notice in accordance with the provisions below. All instructions for settlement to be delivered in accordance with this sub-paragraph (Z) will be referred to as the "**Iberclear Settlement Instruction**".

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note or an International Global Note Certificate, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such Note is represented by a U.S. Global Note Certificate, in such manner as is acceptable to DTC, or (iii) 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 (i) represented by a Global Note, upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) that are Book-Entry Notes, upon receipt of an Iberclear Settlement Instruction, Iberclear, shall verify that the person delivering the Asset Transfer Notice or Iberclear Settlement Instruction, as the case may be, 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 or Iberclear Settlement Instruction, as the case may be.

(d) *Determinations and Delivery Expenses*

Any determination as to whether an Asset Transfer Notice or the Iberclear Settlement Instruction, as the case may be, is duly completed and in proper form shall be made, in the case of Notes represented by a Global Note or an International Global Note Certificate, by Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of Notes represented by U.S. Global Note Certificates, Notes in definitive form or Notes which are Book-Entry Notes, by the relevant Paying Agent or the Registrar, as the case may be, in each case, in consultation with the Principal Paying Agent (as applicable), and shall be conclusive and binding on the Issuer, the Paying Agent(s) and the relevant Noteholder. Subject as set out below, any Asset Transfer Notice or Iberclear Settlement Instruction, as the case may be, so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent (in the case of Notes other than Book-Entry Notes) 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 (as applicable), it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

If such Iberclear Settlement Instruction, is subsequently corrected to the satisfaction of the Iberclear Paying Agent it shall be deemed to be a new Iberclear Settlement Instruction submitted at the time such correction was delivered as provided above

No Asset Transfer Notice or Iberclear Settlement Instruction 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 or Iberclear Settlement Instruction, 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 or Iberclear Settlement Instruction, as applicable, 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 Iberclear Settlement Instruction, as applicable, 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 or Iberclear Settlement Instruction, as applicable, on the Credit Settlement Date. Where the Asset Transfer Notice or Iberclear Settlement Instruction, as applicable, 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 or (in the case of Book-Entry Notes) an Iberclear Settlement Instruction 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, any 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, an Asset Transfer Notice or an Iberclear Settlement Instruction (as applicable) is not delivered to each relevant party prior to the close of business in each place of reception on 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 or DTC 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 Certificate***

If any Note represented by a U.S. Global Note Certificate 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.

22. Standard Terms

If Standard Terms are specified as applicable in the Applicable Transaction Terms, the provisions set out below in respect of the Standard Terms specified in the Applicable Transaction Terms in respect of the relevant Reference Entity(s) set out in this Credit Linked Condition 22 shall apply.

Part 1 – Corporate Standard Terms

Standard Terms	Standard North American Corporate	Standard European Corporate	Standard Subordinated European Insurance Corporate	Standard Emerging European Corporate	Standard Emerging European Corporate LPN	Standard Australia Corporate & Standard New Zealand Corporate	Standard Japan Corporate	Standard Singapore Corporate	Standard Latin American Corporate B	Standard Latin American Corporate BL	Standard Asia Corporate
All Guarantees	Not Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
Credit Event	Bankruptcy Failure to Pay Restructuring, if specified as applicable in the applicable Final Terms Mod R Applicable	Bankruptcy Failure to Pay Restructuring Mod Mod R Applicable If the Transaction Type is a Financial Transaction Type: Governmental Intervention	Bankruptcy Failure to Pay Restructuring	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Applicable for Loans and Not Applicable for Bonds	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Applicable for Loans and Not Applicable for Bonds	Bankruptcy Failure to Pay Restructuring Mod R Applicable If the Transaction Type is a Financial Transaction Type: Governmental Intervention	Bankruptcy Failure to Pay Payment Requirement: Japanese Payment Requirement Restructuring Multiple Holder Obligation: Not Applicable Default Requirement: Japanese Default Requirement Credit Linked Condition 13: Not Applicable	Bankruptcy Failure to Pay Restructuring If the Transaction Type is a Financial Transaction Type: Governmental Intervention	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring	Bankruptcy Failure to Pay Restructuring If the Transaction Type is a Financial Transaction Type: Governmental Intervention
Obligation Category	Borrowed Money	Borrowed Money	Borrowed Money	Bond or Loan	Bond or Loan	Borrowed Money	Borrowed Money	Bond or Loan	Bond	Bond or Loan	Bond or Loan
Obligation Characteristics	None	None	None	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	None	Not Subordinated	Not Subordinated Credit Linked Specified Currency: Standard Specified Currencies & Domestic Currency Not Sovereign Lender	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance

Standard Terms	Standard North American Corporate	Standard European Corporate	Standard Subordinated European Insurance Corporate	Standard Emerging European Corporate	Standard Emerging European Corporate LPN	Standard Australia Corporate & Standard New Zealand Corporate	Standard Japan Corporate	Standard Singapore Corporate	Standard Latin American Corporate B	Standard Latin American Corporate BL	Standard Asia Corporate
Deliverable Obligation Category	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond	Bond or Loan	Bond or Loan
Deliverable Obligation Characteristics	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent Required Loan Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent Required Loan Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currencies & Domestic Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currencies & Domestic Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent Required Loan Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer
Physical Settlement Period	As per definition of "Physical Settlement Period" in Credit Linked Condition 12 capped at 30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 12	As per definition of "Physical Settlement Period" in Credit Linked Condition 12	30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 12	As per definition of "Physical Settlement Period" in Credit Linked Condition 12	30 Business Days
Financial Reference Entity Terms	Not Applicable	If the Transaction Type is a Financial Transaction Type, Applicable, otherwise, Not	Not Applicable	Not Applicable	Not Applicable	If the Transaction Type is a Financial Transaction Type, Applicable, otherwise, Not	If the Transaction Type is a Financial Transaction Type, Applicable, otherwise, Not	If the Transaction Type is a Financial Transaction Type, Applicable, otherwise, Not	Not Applicable	Not Applicable	If the Transaction Type is a Financial Transaction Type, Applicable,

Standard Terms	Standard North American Corporate	Standard European Corporate	Standard Subordinated European Insurance Corporate	Standard Emerging European Corporate	Standard Emerging European Corporate LPN	Standard Australia Corporate & Standard New Zealand Corporate	Standard Japan Corporate	Standard Singapore Corporate	Standard Latin American Corporate B	Standard Latin American Corporate BL	Standard Asia Corporate
		Applicable				Applicable	Applicable	Applicable			otherwise, Not Applicable
Subordinated European Insurance Terms	Not Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Sovereign No Asset Package Delivery	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Part 2 – Sovereign Standard Terms

Standard Terms	Standard Asia Sovereign	Standard Emerging European & Middle Eastern Sovereign	Standard Australia Sovereign & Standard New Zealand Sovereign	Standard Japan Sovereign	Standard Singapore Sovereign	Standard Latin America Sovereign	Standard Western European Sovereign
All Guarantees	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
Credit Event	Failure to Pay Repudiation/ Moratorium Restructuring	Failure to Pay Grace Period Extension Applicable Obligation Acceleration Repudiation Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring Mod R Applicable	Failure to Pay Payment Requirement: Japanese Payment Requirement Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Not Applicable Default Requirement: Japanese Default Requirement Credit Linked Condition 13: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring	Failure to Pay Grace Period Extension Applicable Obligation Acceleration Repudiation Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring
Obligation Category	Bond or Loan	Bond	Borrowed Money	Borrowed Money	Bond or Loan	Bond	Borrowed Money
Obligation Characteristics	Not Subordinated Not Sovereign Lender Not Domestic Law Not Domestic Issuance Not Domestic Currency	Not Subordinated Not Domestic Law Not Domestic Issuance Not Domestic Currency	None	None	Not Subordinated Credit Linked Specified Currency: Standard Specified Currencies & Domestic Currency Not Sovereign Lender	Not Subordinated Not Domestic Law Not Domestic Issuance Not Domestic Currency	None
Deliverable Obligation Category	Bond or Loan	Bond	Bond or Loan	Bond or Loan	Bond or Loan	Bond	Bond or Loan

Standard Terms	Standard Asia Sovereign	Standard Emerging European & Middle Eastern Sovereign	Standard Australia Sovereign & Standard New Zealand Sovereign	Standard Japan Sovereign	Standard Singapore Sovereign	Standard Latin America Sovereign	Standard Western European Sovereign
Deliverable Obligation Characteristics	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currency & Domestic Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currency & Domestic Currency Not Sovereign Lender Not Contingent Assignable Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer
Physical Settlement Period	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 12	30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 12	30 Business Days
Financial Reference Entity Terms	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Subordinated European Insurance Terms	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Sovereign No Asset Package Delivery	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Applicable	Not Applicable	Not Applicable

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.

(c) **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 1, then the corresponding date for payment or delivery of any asset 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 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.

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 asset 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 "AER Value 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 the last day of the relevant 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.

"AER Value 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 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 relevant 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 Level" means the price, level, amount, percentage or value specified as such 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 relevant 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 relevant Applicable Transaction Terms.

"Automatic Early Redemption Valuation Time" has the meaning given to it in the relevant 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 relevant 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 relevant 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 does 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 relevant 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 does 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 relevant 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. For the avoidance of doubt, a Rate of Interest or a Final Payout may equal the sum of two or more payouts.

(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 relevant 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 may be Zero Coupon Notes, if so specified in the Applicable Transaction Terms.

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 a [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 [and provided that an Automatic Early Redemption Event has not occurred]:

[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[; and

- (C) In respect of the Interest Period in which an Automatic Early Redemption Event occurs:

Final AER Interest Rate].

For the purposes of paragraph (B) [and (C)] above and notwithstanding anything to the contrary in the Conditions, the Day Count Fraction for the purposes of calculating the Interest Amount for the Target Final Interest Period [or the Interest Period in which an Automatic Early Redemption Event occurs] in accordance with Condition 5(b)(viii) (*Calculation of Interest Amount*) shall be 1.

(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
<i>[specify]</i>	<i>[specify]%</i>
<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>

(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
<i>[specify]</i>	<i>[specify]%</i>
<i>[Repeat as necessary in each row.]</i>	<i>[Repeat as necessary in each row.]</i>

(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].

(xxix) **"Rate of Interest (xxix) – Himalaya"**

Max [0%; Min [Cap Percentage; Performance Final]]

(xxx) **"Rate of Interest (xxx)"**

- (A) (i) If the Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date, the relevant Fixed Best Percentage * Constant Percentage; or otherwise
- (ii) zero; plus
- (B) [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)].

(xxxi) **"Rate of Interest (xxxi) – Switchable"**

- (A) If the Switch Condition is satisfied:
- [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) * n] [Min [Cap Percentage; Max [Floor Percentage; Leverage * RI Value]]]; or
- (B) If the Switch Condition is not satisfied:
- [zero] [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)"] [Rate(i) * n] [Min [Cap Percentage; Max [Floor Percentage; Leverage * RI Value]]].

2.2 Final Payouts Formula(e)

For completion and insertion into Paragraph 30 (*Final Payout*) of the applicable Final Terms or Paragraph 32 (*Final Payout*) (or other relevant paragraph) of the applicable Pricing Supplement:

- (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 * (Cap Percentage – (FR Value – Strike Percentage))]) * RI FX Rate
- (iv) **"Redemption (iv)"**
- Constant Percentage + (Leverage * (Min [Put Cap Percentage; Max [Put Floor
Percentage; Put Strike Percentage – Put Leverage * (FR Value – Strike 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)].*

(xviii) **"Redemption (xviii)"**

(A) If the Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date:

Constant Percentage [1]; or

(B) otherwise:

Constant Percentage [2] * Worst Value

(xix) **"Redemption (xix)" "Switchable"**

(A) If the Switch Condition is satisfied:

[Constant Percentage 1] [*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 below paragraph]; or*

(B) If the Switch Condition is not satisfied:

[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 below paragraph].*

(xx) **"Redemption (xx)" "Alternate Currency"**

(A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date] [ST Redemption Valuation Period]:

[Calculation Amount*Constant Percentage 1] [*specify amount and currency*] [no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) Otherwise:

[Calculation Amount*Constant Percentage 2] [*specify amount and currency*] [no Final Redemption Amount will be payable and Physical Delivery will apply].

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) of the applicable Final Terms (*Automatic Early Redemption Payout*) or Paragraph 33(iii) (*Automatic Early Redemption Payout*) (or other relevant Paragraph) of the applicable Pricing Supplement.

(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 45 (*Provisions applicable to Physical Delivery – Entitlement Amount*) of the applicable Final Terms or Paragraph 47 (*Provisions applicable to Physical Delivery*) (or other relevant Paragraph) of the applicable Pricing Supplement:

Calculation Amount / (Constant Percentage * Performing RI Strike Price * FX)

The Entitlement Amount will be rounded down to the nearest unit of the Relevant Assets 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:

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)]

"**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 Coupon Rate" means the Rate of Interest which would have applied to the Current Interest Period had an Automatic Early Redemption Event not occurred.

"Current Day Count Fraction" means the Day Count Fraction which would have applied to the Current Interest Period or the Final Interest Period, as applicable had an Automatic Early Redemption Event not occurred.

"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 Worst Value][the Best Value]*.

"Final AER Interest Rate" means *[insert one of the following:] [specify] [zero]*

[If capped and guaranteed:] [Target Coupon Percentage less Paid Coupon Percentage.]

[If not capped or guaranteed:] [the Current Coupon Rate multiplied by the Current Day Count Fraction.]

*[If capped only:] [Min [Current Coupon Rate * Current Day Count Fraction; Target Coupon Percentage less Paid Coupon Percentage].]*

*[If guaranteed only:] [Max [Current Coupon Rate * Current Day Count Fraction; Target Coupon Percentage less Paid Coupon Percentage].]*

"Final Coupon Rate" means *[specify defined term from Payout Condition 5.2]*.

"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 Current Day Count Fraction.]

*[If capped only:] [Min [Final Coupon Rate * Current Day Count Fraction; [AER Percentage] [Target Coupon Percentage] less Paid Coupon Percentage].]*

*[If guaranteed only:] [Max [Final Coupon Rate * Current Day Count Fraction; [AER Percentage] [Target Coupon Percentage] 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 $\text{FR Value} - \text{Strike Percentage}$.

"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) *[insert if cap is applicable]* $\text{Min} [\text{Max} [\text{FR Floor Percentage}; \text{FR Leverage} * (\text{FR Value} - \text{FR Strike Percentage}) + \text{FR Spread}]; \text{FR Cap Percentage}] + \text{FR Constant Percentage}].$
- (b) *[insert if cap is not applicable]* $[\text{Max} [\text{FR Floor Percentage}; \text{FR Leverage} * (\text{FR Value} - \text{FR Strike Percentage}) + \text{FR Spread} + \text{FR Constant Percentage}].]$

"**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 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 (xii) – Counter", [*specify percentage*];
- (b) in respect of "Rate of Interest (xiii) – Variable 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;
- (c) in respect of "Rate of Interest (viii) – 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; and
- (d) in respect of "Rate of Interest (xxxi) – Switchable", a number calculated as the number of ST Coupon Valuation Dates occurring in the period from, but excluding, the Issue Date to, and including, the ST Coupon Valuation Date in respect of which the Switch 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 a 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, for each 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] in respect of 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 Max [Strike Percentage – 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 preceding and 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) [*specify percentage*][minus][plus][multiplied by][divided by] the RI Value for such Reference Item in respect of such day[[minus (b) 100%] [, and multiplied by (c) the FX Value]][multiplied by (b) the FX Value minus (c) 100%].

"Performance Difference" means, in respect of a ST Valuation Date, the Performance for Reference Item (k[=*specify*])) in respect of such ST Valuation Date minus the Performance for Reference Item (k[=*specify*])) in respect of such ST Valuation Date.

"Performance Final" means the arithmetic average of the Periodic Performances in respect of each [ST Valuation Date] [ST Valuation Period].

"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] in respect of such ST Valuation Date.

"Periodic Performance" means, in respect of a [ST Valuation Date] [ST Valuation Period] and all Reference Items, the highest [RI Average Value in respect of such ST Valuation Date] [RI Value on any ST Valuation Date in such ST Valuation Period] provided that: (i) in the case of two or more equal highest [RI Average Values] [RI Values] the Calculation Agent will select any of such equal [RI Average Values] [RI Values] as the highest [RI Average Value] [RI Value] in its discretion; and (ii) where [on a ST Valuation Date] [in relation to a ST Valuation Period] (the "[**Current ST Valuation Date**] [**Current ST Valuation Period**]") a Reference Item has already been the Reference Item with the highest relevant value [on any prior ST Valuation Date] [in relation to any prior ST Valuation Period] it will not be taken into account and its [RI Average Value] [RI Value] will be ignored for the purposes of determining the Periodic Performance [on that Current ST Valuation Date] [for that Current ST Valuation Period].

"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, [(1)] the arithmetic average of [(i)][(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 (ii) the FX Value] [divided by (b) the RI Initial Value for such Reference Item [minus (2) 100%]].

"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 in respect of 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 relevant 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, [(l)][(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] [minus (2) 100%].

"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 in respect of 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][or 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 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>][%]
[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)

"**Switch Condition**" shall be satisfied if, in respect of any ST Valuation Date, the Issuer delivers on or prior to the [●][th/st/rd] Business Day before the ST Valuation Date, or has in respect of a previous ST Valuation Date delivered, a notice to the Holders in accordance with Condition 14 (*Notices*) specifying that it is exercising the Switch Condition in respect of the Notes.

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
[specify]	[insert date]	Set n: [insert dates or describe dates. E.g. "The last [specify] Scheduled Trading Days of [month, year]] [Repeat as necessary for each set n]
[Repeat as necessary in each row]	[Repeat as necessary in each row.]	[Repeat as necessary in each row.]

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.

7. **FX Factor**

Where the Applicable Transaction Terms specifies that a FX Factor applies to an amount payable under the Notes, such amount will include an adjustment by reference to the relevant FX Factor, and all relevant amounts will be as determined by the Calculation Agent.

For these purposes:

"**Automatic Early Redemption Valuation Date**" has the meaning given in Foreign Exchange (FX) Rate Linked Note Condition 6 above.

"**Coupon Valuation Date**" means the date specified as such in the Applicable Transaction Terms.

"**FX Factor**" means the FX Factor Final Level divided by the FX Factor Initial Level.

"**FX Factor Final Averaging Date**" means each of *[insert each relevant day which may be a specified day or may be a type of date from the Payout Conditions or elsewhere in the Conditions]* [or if any such day is not a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*] the relevant FX Factor Final Averaging Date will be the immediately [preceding/following] day which is a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*] regardless of whether or not this would coincide with another FX Factor Final Averaging Date].

"**FX Factor Final Level**" means the [FX Factor Final Reference Level in respect of the [FX Factor Final Valuation Date][the arithmetic average of the FX Factor Final Reference Levels on each FX Factor Final Averaging Date]] [the Settlement Price in respect of][[the [relevant] Coupon Valuation Date][the Redemption Valuation Date][the Automatic Early Redemption Valuation Date][the relevant Observation Date]].

"**FX Factor Final Reference Level**" means, in respect of any day, the rate for conversion of [the Specified Currency into the FX Value Reference Currency] [the FX Value Reference Currency into the Specified Currency] on such day expressed as the amount of the [Specified Currency/FX Value Reference Currency] which may be purchased with one unit of the [Specified Currency/FX Value Reference Currency] at or about [●] [a.m./p.m.] ([●] time) by reference to [such source(s) as the Calculation Agent deems appropriate] [*specify page and service*] (or any successor to such page or service)) [or if it is not reasonably practicable to determine the FX Factor Final Reference Level from such source, the FX Factor Final Reference 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 for the relevant conversion at or about the time on the relevant day and by reference to such source(s) which in each case the Calculation Agent deems appropriate][, all subject to the provisions of the Foreign Exchange (FX) Rate Linked Notes, for which purpose the FX Factor Final Reference Level will be deemed to be a Settlement Price].

"**FX Factor Final Valuation Date**" means *[insert day which may be a specified day or may be a type of date from the Payout Conditions or elsewhere in the Conditions]* [or if such day is not a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*] the immediately [preceding/following] day which is a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*]].

"**FX Factor Initial Averaging Date**" means each of *[insert each relevant day which may be a specified day or may be a type of date from the Payout Conditions or elsewhere in the Conditions]* [or if any such day is not a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*] the relevant FX Factor Initial Averaging Date will be the immediately [preceding/following] day which is a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*] regardless of whether or not this would coincide with another FX Factor Initial Averaging Date].

"FX Factor Initial Level" means the [FX Factor Initial Reference Level in respect of the FX Factor Initial Valuation Date][the arithmetic average of the FX Factor Initial Reference Levels on each FX Factor Initial Averaging Date][the Settlement Price in respect of the Strike Date].

"FX Factor Initial Reference Level" means, in respect of any day, the rate for conversion of [the Specified Currency into the FX Value Reference Currency] [the FX Value Reference Currency into the Specified Currency] on such day expressed as the amount of the [Specified Currency/FX Value Reference Currency] which may be purchased with one unit of the [Specified Currency/FX Value Reference Currency] at or about [●] [a.m./p.m.] ([●] time) by reference to [to such source(s) as the Calculation Agent deems appropriate] [*specify page and service*] (or any successor to such page or service)) [or if it is not reasonably practicable to determine the FX Factor Initial Reference Level from such source, the FX Factor Initial Reference 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 for the relevant conversion at or about the time on the relevant day and by reference to such source(s) which in each case the Calculation Agent deems appropriate][, all subject to the provisions of the Foreign Exchange (FX) Rate Linked Notes, for which purpose the FX Factor Initial Reference Level will be deemed to be a Settlement Price].

"FX Factor Initial Valuation Date" means [*insert day which may be a specified day or may be a type of date from the Payout Conditions or elsewhere in the Conditions*] [or if such day is not a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*] the immediately [preceding/following] day which is a [Business Day/*insert another type of day from the Payout Conditions or elsewhere in the Conditions*]].

"FX Value Reference Currency" means [*specify currency*].

"Observation Date" has the meaning given in the Foreign Exchange (FX) Rate Linked Note Conditions.

"Redemption Valuation Date" means the date specified as the Redemption Valuation Date in the Applicable Transaction Terms.

"Settlement Price" has the meaning given in the Foreign Exchange (FX) Rate Linked Note Conditions.

"Strike Date" means the Strike Date specified in the Applicable Transaction Terms.

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.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – [Other than with respect to offers of the Notes in *[specify jurisdiction(s) for which a PRIIPs KID is being prepared]* [during the period[s] []-[] *[repeat periods as necessary]*,] [T]/[t]he Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded). Consequently[, save as provided above,] no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]/**[MiFID II product governance / Retail investors, professional investors and ECPs** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; (ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[, / and] portfolio management[, / and] [non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]

Final Terms dated []

Santander International Products plc

Legal entity identifier (LEI): 549300EBI9IZCEJIF589

Issue of *[Aggregate Principal 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) otherwise¹, 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 17 July 2019 [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 or superseded) (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 31 to 84 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 [has][together with these Final Terms have] been published on the website[s] of The Irish Stock Exchange plc trading as Euronext Dublin (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.

[*N.B.: To be inserted if Notes are admitted to listing on the Taipei Exchange.*][The Notes have not been and shall not be, offered, 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.]

[*N.B.: To be inserted if Notes are admitted to listing 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 the Base Prospectus, these Final Terms [and the amendment[s] and/or supplement[s] thereto] and no representation is made by TPEX to the accuracy or completeness of the Base Prospectus, these Final Terms [and the amendment[s] and/or 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 the Base Prospectus, these Final terms [and the amendment[s] and/or 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.]

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

Terms used herein shall be deemed to be defined as such for the purposes of the 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] [8 July 2016] [14 July 2017] [as supplemented by [a]

¹ Include this wording where a Non-Exempt Offer of Notes is anticipated.

supplement[s] dated [5 April 2017] [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] [25 July 2018] [as supplemented by a supplement dated 27 November 2018]. These Final Terms contain the applicable terms of the Notes and must be read in conjunction with the Base Prospectus dated 17 July 2019 [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) (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] dated [date] [and [date]]] and the Base Prospectus [dated 17 July 2019]. [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 54 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 Principal Amount of Notes:

- (i) [Series:] []
- (ii) [Tranche:] []
5. Issue Price: []% of the Aggregate Principal 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 Principal Amount and "**Initial SER**" means *[specify]*]
- [The Notes are Partly Paid Notes – see item below]
6. (i) Specified Denominations: []
- [Note - where multiple denominations are being used and Notes are not being issued in registered form or dematerialised book-entry 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 [and Outstanding Principal Amount in respect of Partly Paid Notes]: *[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).]*
- [Insert in respect of Partly Paid Notes:*
- The Calculation Amount in respect of the Notes is [].
- The Outstanding Principal Amount in respect of the Calculation Amount as of each Part Payment Date (subject as provided in the Conditions) is as specified below:

		Part Payment Date Outstanding Principal [falling on or about]	Amount
		[specify]	[specify]
		[specify]	[specify]
		(Repeat as necessary)]	
7.	(i)	Issue Date:	[]
	(ii)	Interest Commencement Date:	[Insert relevant date/Issue Date/Not Applicable]
		<i>[An Interest Commencement Date will not be relevant for certain Notes, for example, Zero Coupon Notes]</i>	
8.		Maturity Date:	<i>[Specify date (including any relevant Business Day Convention) 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.]</i> <i>[For Credit Linked Notes, if applicable insert: [] (the "Scheduled Maturity Date"), subject to the provisions of the Credit Linked Conditions and these Final Terms]</i> <i>[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.]</i> <i>[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:</i> <i>"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."</i>
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]

[and each Interest Amount will be multiplied by the FX Factor as provided below]

(further particulars specified in items 18 and [19/20/21/22/23/24/25/26] below)

[The Notes do not bear or pay any interest]

10. Redemption/Payment basis:

[Redemption at par]

[See item 29 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 "*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]

[provided that each redemption amount will be multiplied by the relevant FX Factor as provided below]

11. Reference Item(s):

[The following Reference Item(s)[(k)] [(from [k] = 1 to [[k][specify]])] will apply [for [Interest][and][Automatic Early Redemption][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]

[(further particulars specified in item 28 below)]

[Issuer Call]

[(further particulars specified in item 27 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: *[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 applicable specify: provided that each Interest Amount determined in accordance with the Conditions (prior to any rounding) will be multiplied by the relevant FX Factor and the resulting amount then rounded as provided in the Conditions, where:

[insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]]

(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]]/[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 [the/each] Interest Payment Date [(from [specify] to [specify])][falling [on [or about]] [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)][the sum of the following [items [specify] to [specify] (each inclusive) below]][Insert letters or numbering here and next to each payout if this adds clarity (eg (a), (b). . .)]:]

[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]
[Rate of Interest (xxix) – Himalaya]
[Rate of Interest (xxx)]
[Rate of Interest (xxxi) – Switchable]

(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] [Not Applicable]
[Specify Fixed Coupon Amount for Partly Paid Notes, taking into account the Outstanding Principal Amount from time to time]
- (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]
[Specify any Broken Amount(s) for Partly Paid Notes, taking into account the Outstanding Principal Amount from time to time]
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) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): [[Name] shall be the Calculation Agent]
- (vi) Margin Plus Rate: [Applicable] [Not Applicable]
- (vii) Specified Percentage Multiplied by Rate: [Applicable] [Not Applicable]
- (viii) Difference in Rates: [Applicable] [Not Applicable]

- (ix) Screen Rate Determination of Rate: [Not Applicable]
(If not applicable delete the remaining sub-paragraphs of this paragraph)
- Reference Rate: [LIBOR OR EURIBOR][specify]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [specify][Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [specify][11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)][specify]
- (x) ISDA Determination of Rate: [Not Applicable]
(If not applicable delete the remaining sub-paragraphs of this paragraph)
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xi) Screen Rate Determination of Rate 2: [Not Applicable]
(If not applicable delete the remaining sub-paragraphs of this paragraph)
(in relation to Difference in Rates only)
- Reference Rate: [LIBOR or EURIBOR][specify]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [specify][Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [11.00 a.m. London time/Brussels time][specify]
 - Relevant Financial Centre: [London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)][specify]
- (xii) ISDA Determination of Rate 2:
(in relation to Difference in Rates only)
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xiii) Specified Percentage: [[]%] [Not Applicable]

21. **Equity Linked Note interest provisions:** [Applicable – please refer to "Provisions Applicable to Equity Linked Notes" 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 the Amortised Face Amount: [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]
- [If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:*
- [insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]*
- (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) [] [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)

[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:

[insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]

- (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]%] [Outstanding Principal Amount immediately prior to the Maturity Date] [Calculation Amount * Final Payout] [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]

[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:

[insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]

30. **Final Payout:**

[Not Applicable]

(In respect of the following, insert formula from Payout Condition 2.2 and relevant definitions from Payout Condition 5)

[The sum of the following [items [specify] to [specify] (each inclusive) below]:] [Insert letters or numbering here and next to each payout if this adds clarity (eg (a), (b). . .)]

[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]
[Redemption (xviii)]
[Redemption (xix) – Switchable]
[Redemption (xx) – Alternate Currency]

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' if Target Coupon Automatic Early Redemption applies)

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

- (i) Automatic Early Redemption Event: [AER Value Automatic Early Redemption Event – Applicable]
- AER Value is: [greater than][greater than or equal to][less than][less than or equal to] the Automatic Early Redemption [Level][Price]
- [Target Coupon Automatic Early Redemption Event – Applicable]
- (ii) AER Value: *[insert relevant value definition and where applicable relevant definitions from Payout Condition 5.1 and 5.2]*
[Not Applicable]
- (iii) Automatic Early Redemption Payout: The Automatic Early Redemption Amount shall be determined in accordance with the following formula:
- (Insert relevant formula (and related definitions) from Payout Condition 3)*
- [If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:*
- (Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)*
- (iv) Automatic Early Redemption Level/Price: *[[specify] [%][of RI Initial Value]][Not Applicable]*
- (v) [AER Percentage][Target Coupon Percentage]: *[specify] [%][Not Applicable]*
- (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]*
- (ix) Automatic Early Redemption Valuation Time: *[specify][Scheduled Closing Time][Any time [on the relevant Valuation Date][during the Observation Period]][Not Applicable]*
- (x) Averaging: Averaging [applies][does not apply] for the purposes of Automatic Early Redemption. [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)]

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] [Partly Paid Early Redemption Amount]

[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:

(Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)

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]*]

[Partly Paid Early Redemption Amount]

[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:

(Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)

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]

[Partly Paid Early Redemption Amount]

[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:

(Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)

- 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 "Provisions Applicable to Equity Linked Notes" 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 "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

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]*[As per the Conditions]
- (v) Related Exchange(s): *[specify]*[All Exchanges]
- (vi) Exchange Business Day Convention: [Following Business Day Convention][Modified Following Business Day Convention][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) 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: [Not Applicable][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: [Not Applicable][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]*
- (xviii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day

PROVISIONS APPLICABLE TO INFLATION LINKED NOTES

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
- (If more than one Inflation Interest Rate is to be determined, repeat items (i) to (vi) 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)*
- (i) Inflation Index: [] [Reference Item[s]][(k)]
- (Set out each Inflation Index level and insert "in respect of [specify date]" following each Inflation Index level)*
- (ii) Inflation Index Sponsor: []
- (iii) Related Bond: [Insert name and ISIN or other security identification code of Related Bond][Not Applicable][Fallback Bond] [Delete as applicable]
- (iv) Fallback Bond: [Applicable][Not Applicable]
- (v) Strike Date: [specify][Not Applicable]
- (vi) Strike Period [and Strike Days]: [Specify Strike Period][Not Applicable][Specify the applicable Strike Days in the Strike Period]
- (vii) Inflation Index Level Adjustment: [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] (Annex 2, Section 1, paragraph 6 of Terms and Conditions) [Option (ii) as specified in paragraph 6 of Section 1 of Annex 2 to the Terms and Conditions][Delete as applicable]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Delete as applicable]

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]

(N.B. By specifying "Standard Terms" as applicable to a Reference Entity, the relevant information set out in Credit Linked Condition 22 shall apply. Not all relevant information is given in the Standard Terms and so ensure the remaining sections of this item 41 are completed accordingly.)

- (v) Standard Terms: [Applicable/Not applicable]

If applicable, insert the following as applicable and specify any changes needed to reflect the latest ISDA Physical Settlement Matrix: The following Standard Terms apply: [Standard North American Corporate/Standard European Corporate/Standard Subordinated European Insurance Corporate/Standard Emerging European Corporate/Standard Emerging European Corporate LPN/Standard Australia Corporate & Standard New Zealand Corporate/Standard Japan Corporate/Standard Singapore Corporate/Standard Latin America Corporate B/Standard Latin America Corporate BL/Standard Asia Corporate/Standard Asia Sovereign/Standard Emerging European & Middle Eastern Sovereign/Standard Australia Sovereign & Standard New Zealand Sovereign/Standard Japan Sovereign/Standard Singapore Sovereign/Standard Latin America Sovereign/Standard Western European Sovereign]

If Standard European Corporate, Standard Australia Corporate & Standard New Zealand Corporate, Standard Japan Corporate, Standard Singapore Corporate or Standard Asia Corporate Standard Terms apply, insert the following: Transaction Type: [Financial Transaction Type/Other]

- (vi) 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)*
- (vii) All Guarantees: [Applicable][Not Applicable]
[Standard Terms]
- (viii) 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]
[Standard Terms]
- Default Requirement: []
- Payment Requirement: []
- (ix) Notice of Publicly Available Information: [Applicable][Not Applicable]
[If Applicable:
Public Source(s): []
Specified Number: []
- (x) Obligation(s):
(a) Obligation Category: [Payment]
(*select one only*) [Borrowed Money]
[Reference Obligation Only]
[Bond]

		[Loan]
		[Bond or Loan]
		[Standard Terms]
(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]
		[Standard Terms]
(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]:	[]
(xi)	Accrual of Interest upon Credit Event:	[Applicable] [Not Applicable]
(xii)	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.]]
(xiii)	Unwind Costs:	[Standard Unwind Costs] [specify other] [Not Applicable]
(xiv)	Provisions relating to Monoline Insurer as Reference Entity:	Credit Linked Condition 15: [Applicable] [Not Applicable]
(xv)	Provisions relating to LPN Reference Entities:	Credit Linked Condition 17: [Applicable] [Not Applicable]
(xvi)	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]
[Standard Terms]
- Deliverable Obligation Characteristics: [Not Subordinated]

(select all of which apply) [Credit Linked Specified Currency:

[specify currency][Standard Specified Currencies]]
[Not Sovereign Lender]
[Not Domestic Currency]

Domestic Currency means: [specify currency]]
[Not Domestic Law]
[Listed]
[Not 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]

[Standard Terms]

Sovereign No Asset [Applicable/Not Applicable]
Package Delivery:

[Standard Terms]

(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 Period: [[] Business Days][Not Applicable]

[Standard Terms]

(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)

(xvii) Other Terms:

(a) Subordinated European Insurance Terms: [Applicable/Not Applicable]

[Standard Terms]

(b) Financial Reference Entity Terms: [Applicable/Not Applicable]

[Standard Terms]

(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)

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]
- (only applicable to ETFs)*
- (ix) Strike Date: [specify][Not Applicable]

(only applicable to ETFs)

- (x) Strike Period [and Strike Days]: [specify strike period][Not Applicable][specify Strike Days in the period]
- (xi) 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 not Specific Maximum Days of Disruption are stated, Specific Maximum Days of Disruption will be equal to five)*
- (xii) Observation Date: [specify][Not Applicable]
- [In the event that an Observation Date is a Disrupted Date [Omission][Postponement][Modified Postponement] will apply]
- (xiii) Observation Period: [specify][Not Applicable]
- (xiv) Coupon Valuation Date(s): [specify][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]
		<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][]

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)] <i>(insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi)),</i> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(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]
- (f) Number of Postponement Settlement Days: [[Two]*specify*] [Business Days] *specify*
- (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 [EM Calculation Agent Determination]
Fallbacks:

[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]

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))*], [and][the Automatic Early Redemption provisions]

[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 Target2 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]

PROVISIONS APPLICABLE TO PHYSICAL DELIVERY

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(j)(ii)

PROVISIONS APPLICABLE TO PARTLY PAID NOTES

47. Partly Paid Notes: [Applicable][Not Applicable]
- (Partly Paid Notes must be Fixed Rate Notes or Floating Rate Notes which are which are not Reference Item Linked Notes)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Part Payment Amounts and Part Payment Dates: **Part Payment Amount** **Part Payment Date**
- [specify] [Issue Date]
- [specify] [specify]
- (Repeat as necessary)*
- (ii) Notice period for notice to be given by the Issuer in respect of each Part Payment Date: [specify] [5] [Business Days'] notice
- (iii) Notice period for notice to be given by the Issuer in respect of any early redemption of the Notes following non-payment of any Part Payment Amount: [specify] [5] [Business Days'] notice
- (iv) Part Payment Early Redemption Date (if any): [specify] [5] [Business Days'] [following the relevant Part Payment Date]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

48. Form of Notes: [Book-Entry Notes: [Uncertificated, dematerialised book-entry form notes (*anotaciones en cuenta*) registered with Iberclear] [as managing entity of the Central Registry][*other registry*]][*other*]
- [Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Temporary Global Note]
- [Permanent Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]]
- [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*]
49. Additional Business Centres: [Not Applicable][*Insert Additional Business Centre*]
50. Additional Financial Centre for Condition 7(i): [Not Applicable][*Insert Additional Financial Centre (Note that this item relates to the date and place of payment, and not Business Days)*]
51. New Global Note Form: [Yes][No] (*Note that Book-Entry Notes and Partly Paid Notes may not be issued in New Global Note form*)
52. Talons for future Coupons or Receipts to be attached to definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. *If yes, insert dates*][Not Applicable]
53. Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): [Not Applicable] ["**Instalment Amount**" means [*insert amount*] per Calculation Amount and "**Instalment Date(s)**" means [each of] [*specify*]. [For the avoidance of doubt, if any Instalment Date falls on or about the due date for the redemption of the Notes in full, the Instalment Amount will remain payable on the relevant Instalment Date.]]
54. Consolidation provisions: [Not Applicable/The provisions [in Condition 13 (*Further Issues*)] apply]
55. Calculation Agent: [*specify*] [Banco Santander, S.A.]

[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:

By: _____

Duly authorised

By: _____

Duly authorised

Signed on behalf of the Guarantor:

By: _____

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- | | | |
|-------|---|---|
| (i) | Listing | <p>[The Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") [The Spanish fixed income securities market, AIAF Mercado de Renta Fija ("AIAF") operated by Bolsas y Mercados Españoles Renta Fija, S.A.U.]] [Not Applicable]</p> |
| (ii) | Admission to trading | <p>[Application has been made by the Issuer (or on its behalf) [to Euronext Dublin] for the Notes to be admitted to [the Official List and] trading on [its regulated market] /[]] with effect from []]</p> <p>[Application is expected to be made by the Issuer (or on its behalf) [to Euronext Dublin] for the Notes to be admitted to [the Official List and] trading on [its regulated market] /[]] with effect from []]</p> <p>[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on AIAF with effect from []]</p> <p>[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on AIAF with effect from []]</p> <p>[Not Applicable]</p> <p><i>[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 amendment[s] and/or 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 amendment[s] and/or 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 these Final Terms [and] the Base Prospectus [and the amendment[s] and/or 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. No assurance can be given as to whether the Notes will be, or will remain, listed on TPEX. If the Notes fail to or cease to be listed on TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes]</i></p> <p><i>(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)</i></p> |
| (iii) | [Estimate of total expenses related to admission to trading | []] |

2. RATINGS

Ratings:

The Notes to be issued have [not] 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" for Notes with a denomination of less than EUR 100,000 (or equivalent))*

[(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 Linked Notes – PERFORMANCE OF INDEX/FORMULA/FUND/CURRENCY/REFERENCE ENTITY, EXPLANATION OF

EFFECT ON VALUE OF INVESTMENT AND OTHER INFORMATION CONCERNING THE REFERENCE ITEM

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 Reference Item 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 Reference Item 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 Reference Item, and insert link or give other indication of where further information relating to the Reference Item 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].

[Insert any required index disclaimers]

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: []

CFI: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (Anna) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

FISN: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (Anna) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

Any clearing system(s) other than DTC, Euroclear Bank SA/NV 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 Principal Amount
- (vii) U.S. Selling Restrictions²: [Reg. S Compliance Category [1/2/3]; [Rule 144A]; [TEFRA C/TEFRA D/TEFRA not applicable]]
- (viii) 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)
- Non-exempt Offer Jurisdictions: [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)]
- 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.)
- (ix) Prohibition of Sales to EEA Retail Investors: [Applicable[, other than with respect to offers of the Notes in [specify jurisdiction(s) for which a PRIIPs KID is being prepared] [during the period[s] []- [] [repeat periods as necessary]]/Not Applicable]

² Book-Entry Notes shall not be offered or sold in the United States.

12. U.S. TAX CONSIDERATIONS

[The Notes are [not] Specified Notes for purposes of Section 871(m).][Based on market conditions on the date of these Final Terms, the Issuer has made a preliminary determination that the Notes are [not] Specified Notes for purposes of Section 871(m). This is a preliminary determination only that is subject to change based on market conditions on the Issue Date. If the Issuer's final determination is different then it will give notice of such determination.] [Please contact [give name(s) and address(es) of Issuer contact] for further information regarding the application of Section 871(m) to the Notes.] *(The Notes will not be Specified Securities if they (i) are issued prior to January 1, 2021 and are not "delta-one" for U.S. tax purposes 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 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 and (i) are issued prior to January 1, 2021 and provide a return that does not differ significantly from the return on an investment in the underlying, or (ii) are issued on or after January 1, 2021, 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/ <i>give details</i>]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i>]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place	[The Authorised Offerors identified in paragraph [11] above and identifiable from the Base Prospectus/None/ <i>give details</i>]
[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:]	[None/ <i>give details</i>]

14. EU BENCHMARKS REGULATION

EU Benchmarks Regulation: Article 29(2) statement on benchmarks:	[Not Applicable]
	[Applicable: Amounts payable under the Notes are calculated by reference to <i>[insert name(s) of benchmark(s)]</i> , which [is/are] provided by <i>[insert name(s) of the administrator(s) – if more than one, specify in relation to each relevant benchmark]</i> .
	[As at the date of these Final Terms, <i>[insert name(s) of the administrator(s)]</i> [is/are] [not] included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of Regulation (EU) 2016/1011.] <i>[repeat as necessary]</i>

15. [ROC TAXATION]

[N.B.: To be inserted if Notes are listed on the Taipei Exchange: The following is a general description of the principal of the 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, directly or indirectly, to professional institutional investors as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC only. 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.]

Interest on the Notes

As the Issuer is not an ROC statutory tax withholder, there is no ROC withholding tax on the interest to be paid on the Notes.

ROC corporate holders must include the interest [or deemed interest]³ receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20 per cent. (unless the total taxable income for a fiscal year is under NT\$500,000), as they are subject to income tax on their worldwide income on an accrual basis. The alternative minimum tax ("**AMT**") is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to a 0.1 per cent. securities transaction tax ("**STT**") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Notes will be subject to STT at 0.1 per cent. of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the Income Basic Tax Act of the ROC (also known as the AMT Act), the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders may be carried over 5 years to offset against capital gains of the same category of income for the purposes of calculating their AMT.

[Specify]

16. [ROC SETTLEMENT AND TRADING]

[N.B.: To be inserted if Notes are listed on the Taipei Exchange: 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

³

Applicable for Zero Coupon Notes only.

Euroclear or Clearstream, Luxembourg 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.

In addition, an investor may apply to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream, Luxembourg to the TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets.

For such investors who hold their interests in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, 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.]

17.	SPECIFIC PROVISIONS	BASIS	BUY-BACK	[Applicable] [Not Applicable]
-----	----------------------------	--------------	-----------------	-------------------------------

(If not applicable, delete the remaining sub- paragraph of this paragraph 17)

(The Specific Basis Buy-Back Provisions may only apply where Banco Santander, S.A. acts as the sole Dealer and the Calculation Agent and where the Specified Denomination in respect of each Note is equal to at least Euro 100,000 (or its equivalent amount in the Specified Currency))

[The value of the Notes prior to the Maturity Date shall reflect and shall be calculated on the basis of the Market Value of the Underlying Transactions.

In the event that the Issuer accepts a request to buy-back the Notes, the price at which the Issuer will buy-back the Notes (the Buy-Back Price) will be determined taking into consideration the Market Value of the Underlying Transactions.]

(a)	Notice period:	[Not less than] [[5/[●]] Business Days]
-----	----------------	---

•	Underlying Transactions:	Information relating to:
---	--------------------------	--------------------------

(i) the calculation of the interest basis in respect of the Notes (unbundling), in particular, information relating to the Extra-Yield (being the additional remuneration paid in respect of the Notes compared to other debt instruments with equivalent payments but to which the Specific Basis Buy-Back Provisions do not apply); and

(ii) the Underlying Transactions, and any changes thereto,

shall be published on [[●]] [the website of Euronext Dublin (www.ise.ie)] [*specify alternative method of publication*].

- Issuer contact details for notices: Santander International Products Public Limited Company
[specify address]
[specify e-mail]]

ANNEX

SUMMARY OF THE NOTES

[Issue specific summary to be inserted in the case of the 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.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – [Other than with respect to offers of the Notes in [specify jurisdiction(s) for which a PRIIPs KID is being prepared] [during the period[s] []]- [] [repeat periods as necessary],] [T]/[t]he Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the Insurance Mediation Directive). Consequently[, save as provided above,] no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MiFID II product governance / target market – [appropriate target market legend to be included]]

Pricing Supplement dated []

Santander International Products plc

Legal entity identifier (LEI): 549300EBI9IZCEJIF589

Issue of [Aggregate Principal 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.

[[N.B.: To be inserted if Notes are admitted to listing on the Taipei Exchange.]] [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.]

[[N.B.: To be inserted if Notes are admitted to listing 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 the Base Prospectus, this Pricing Supplement [and the amendment[s] and/or supplement[s] thereto] and no representation is made by TPEX to the accuracy or completeness of these the Base Prospectus, this Pricing Supplement [and the amendment[s] and/or 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 the Base Prospectus, this Pricing Supplement [and the

amendment[s] and/or 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.]

This document constitutes the Pricing Supplement of the Notes described herein. This Pricing Supplement must be read in conjunction with the Base Prospectus dated 17 July 2019 [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 31 to 84 of the Base Prospectus (as supplemented).**

Full information on the Issuer, the Guarantor and the offer of the Notes described herein is only available on the basis of the combination of this Pricing Supplement and the 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].¹

[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 <i>[identify earlier Tranches]</i> 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 |

¹ Only include this language where it is a fungible issue and the original Tranche was issued under a Base Prospectus with a different date.

- 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 Principal Amount of Notes:
 - (i) Series: []
 - (ii) Tranche: []
 5. Issue Price: []% of the Aggregate Principal 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 Principal 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: *[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 (including any relevant Business Day Convention) 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 Note Provisions* below for more details]]
- [and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]
- [Zero Coupon]
- [and each Interest Amount will be multiplied by the FX Factor as provided below]
- [The Notes do not bear or pay any interest]
- (further particulars specified in items 18 and [19/20/21/22/23/24/25/26/27/28] below)
10. Redemption/Payment basis:
- [Redemption at par]
- [See item 31 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 *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]

- [provided that each redemption amount will be multiplied by the relevant FX Factor as provided below]
- [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] [Automatic Early Redemption][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]
- [(further particulars specified in item 30 below)]
- [Issuer Call]
- [(further particulars specified in item 29 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
- For the purpose of the definition of Settlement

the Settlement Exchange Rate:	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	[Calculation Agent Determination]
Source Disruption and Price	
Materiality only):	[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 applicable specify: provided that each Interest Amount determined in accordance with the Conditions (prior to any rounding) will be multiplied by the relevant FX Factor and the resulting amount then rounded as provided in the Conditions, where:*
- [insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]]*
- (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]][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 [the/each] Interest Payment Date [(from [specify] to [specify])][falling [on[or about]][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)][the sum of the following [items [specify] to [specify] (each inclusive) below]][Insert letters or numbering here and next to each payout if this adds clarity (eg (a), (b). . .):]
- [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]
[Rate of Interest (xxix) – Himalaya]
[Rate of Interest (xxx)]
[Rate of Interest (xxxi) – Switchable]

(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: | [] |
| | | <i>(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")</i> |
| (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) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| (v) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): | [specify] (Calculation Agent) |
| (vi) | Margin Plus Rate: | [Applicable][Not Applicable] |

- (vii) Specified Percentage Multiplied by Rate: [Applicable][Not Applicable]
- (viii) Difference in Rates: [Applicable][Not Applicable]
- (ix) Screen Rate Determination of Rate: [Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- Reference Rate: [LIBOR or EURIBOR][specify]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [specify][Reuters LIBOR 01/EURIBOR 01]
 - Relevant Time: [specify][11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [London/eurozone (where eurozone means the region comprised of the countries whose lawful currency is the euro)][specify]
- (x) ISDA Determination of Rate: [Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xi) Screen Rate Determination of Rate 2: [Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (in relation to Difference in Rates only)*
- Reference Rate: [LIBOR or EURIBOR][specify]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [Reuters LIBOR 01/EURIBOR 01][specify]
 - Relevant Time: [11.00 a.m. London time/Brussels time][specify]
 - Relevant Financial Centre: [London/eurozone (where eurozone means the region comprised of the countries whose lawful currency is the euro)][specify]
- (xii) ISDA Determination of Rate 2:
- (in relation to Difference in Rates only)*
- Floating Rate Option: []

- Designated Maturity: []
 - Reset Date: []
- (xiii) Specified Percentage: [[]%][Not Applicable]
- (xiv) 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) Entity responsible for calculating the interest due: [specify] [Calculation Agent]
- (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) Minimum Rate/Amount of Interest: []% per annum
- (xi) Maximum Rate Amount of Interest: []% per annum
- (xii) Day Count Fraction []
22. **Dual Currency Note Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: []
- (ii) Entity, responsible for calculating the principal and/or interest due: [*specify*] [Calculation Agent]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []
23. **Equity Linked Note interest provisions:** [Applicable – please refer to "*Provisions Applicable to Equity Linked Notes*" 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 the Amortised Face Amount: [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
If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:
[insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]
- (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 [] per Calculation Amount

calculation of such amount(s):	<i>[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:</i> <i>[insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]</i>
(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) <i>(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/Iberclear Paying Agent/Registrar)</i>
31. Final Redemption Amount of each Note:	[Calculation Amount * [specify]%] [Outstanding Principal Amount immediately prior to the Maturity Date] [Calculation Amount * Final Payout] [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] <i>[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:</i> <i>[insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions]</i> <i>[See also "Provisions Relating to Credit Linked Notes" at item 42 below and the Credit Linked Conditions]</i> [In cases where the Final Redemption Amount is an Other Reference Item Linked Redemption Note: <i>(If not applicable, delete this sub-paragraph)</i>
(i) Formula/Other Redemption Item:	[] [[Not Applicable]

- (ii) Entity responsible for calculating the Final Redemption Amount: [specify] [Calculation Agent]
- (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 or 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)

[The sum of the following [items [specify] to [specify] (each inclusive) below]:] [Insert letters or numbering here and next to each payout if this adds clarity (eg (a), (b). . .)]

- [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]
- [Redemption (xviii)]
- [Redemption (xix) – Switchable]

			[Redemption (xx) – Alternate Currency]
33.	Automatic Early Redemption:		[Applicable][Not Applicable]
			<i>(If applicable, specify one of the following)</i>
			[ST Automatic Early Redemption][Target Automatic Early Redemption] <i>(always insert 'Target Automatic Early Redemption Event' if Target Coupon Automatic Early Redemption applies)</i>
			<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Automatic Early Redemption Event:		[AER Value Automatic Early Redemption Event – Applicable]
			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:		[Target Coupon Automatic Early Redemption Event – Applicable]
			<i>[Insert relevant value definition and where applicable relevant definitions from Payout Condition 5.1 and 5.2][Not Applicable]</i>
	(iii) Automatic Early Redemption Payout:		The Automatic Early Redemption Amount shall be determined in accordance with the following formula:
			<i>(Insert relevant formula (and related definitions) from Payout Condition 3)</i>
			<i>[If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:</i>
			<i>(Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)</i>
	(iv) Automatic Early Redemption Level/Price:		<i>[[specify] [%[of RI Initial Value]]][Not Applicable]</i>
	(v) [AER Percentage][Target Coupon Percentage]:		<i>[specify]%%[Not Applicable]</i>
	(vi) Automatic Early Redemption Date(s)/Period(s):		<i>[specify] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6]</i>
	(vii) AER Additional Rate:		[AER Rate] <i>[Insert relevant provisions from Payout Condition 5.1][Not Applicable]</i>
			[AER Rate DCF] <i>[Insert relevant provisions from Conditions]</i>

- [AER Rate MT][Insert relevant provisions from Conditions]
- (viii) Automatic Early Redemption Valuation Date(s)/Period(s): [specify]
- (ix) Automatic Early Redemption Valuation Time: [specify][Scheduled Closing Time][Any time [on the relevant Valuation Date][during the Observation Period][Not Applicable].
- (x) Averaging: Averaging [applies][does not apply] for the purposes of Automatic Early Redemption. [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]
- [If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:*
- (Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)*
- 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]*]
- [If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where:*
- (Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)*

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] [If applicable specify: [provided that][with][the resulting amount][will be] multiplied by the relevant FX Factor [[and] with the resulting amount rounded [up/down] to the nearest 0.01 in the Specified Currency (or to the nearest JPY1 in the case of JPY)], where: (Insert relevant definitions from Payout Condition 7 and other relevant definitions from the Payout Conditions completed on the basis provided in the Payout Conditions)
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 "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

41.	Equity Linked Note Provisions:	[Applicable][Not Applicable][for the purposes of determining the "Rate of Interest" specified in item 18(vi)] (<i>insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi)</i>) (If not applicable, delete the remaining sub-paragraphs of this paragraph) The provisions of Annex 1 of the Terms and Conditions (<i>Additional Terms and Conditions for Equity Linked Notes</i>) 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] [As per the Conditions]
(v)	Related Exchange(s):	[specify][All Exchanges]
(vi)	Exchange Business Day Convention:	[Following Business Day Convention][Modified Following Business Day Convention][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)	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:	[Not Applicable][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: [Not Applicable][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]
- (xviii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

PROVISIONS APPLICABLE TO INFLATION LINKED NOTES

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
- (If more than one Inflation Interest Rate is to be determined, repeat items (i) to (vi) 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)*
- (i) Inflation Index: [] [Reference Item[s]] [(k)]

(Set out each Inflation Index level and insert "in respect of [specify date]" following each Inflation Index level)
 - (ii) Inflation Index Sponsor: []
 - (iii) Related Bond: [Insert name and ISIN or other security identification code of Related Bond][Not Applicable][Fallback Bond][Delete as applicable]
 - (iv) Fallback Bond: [Applicable][Not Applicable]

- (v) Alternative Delay of Publication Formula: *[Insert formula]*[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: *[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]*
(Annex 2, Section 1, Paragraph 6 of Terms and Conditions)
- (ix) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]**[Delete as applicable]*

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]*

(N.B. By specifying "Standard Terms" as applicable to a Reference Entity, the relevant information set out in Credit Linked Condition 22 shall apply. Not all relevant information is given in the Standard Terms and so ensure the remaining sections of this item 43 are completed accordingly.)
- (v) Standard Terms: *[Applicable/Not applicable]*

If applicable, insert the following as applicable and specify any changes needed to reflect the latest ISDA Physical Settlement Matrix: The following Standard Terms apply: [Standard North American Corporate/Standard European Corporate/Standard Subordinated European Insurance Corporate/Standard Emerging European Corporate/Standard Emerging European Corporate LPN/Standard Australia Corporate & Standard New Zealand Corporate/Standard Japan Corporate/Standard Singapore Corporate/Standard Latin America Corporate B/Standard Latin America Corporate BL/Standard Asia Corporate/Standard Asia

Sovereign/Standard Emerging European & Middle Eastern Sovereign/Standard Australia Sovereign & Standard New Zealand Sovereign/Standard Japan Sovereign/Standard Singapore Sovereign/Standard Latin America Sovereign/Standard Western European Sovereign]

If Standard European Corporate, Standard Australia Corporate & Standard New Zealand Corporate, Standard Japan Corporate, Standard Singapore Corporate or Standard Asia Corporate Standard Terms apply, insert the following: Transaction Type: [Financial Transaction Type/Other]

- (vi) 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)*
- (vii) All Guarantees: [Applicable][Not Applicable]
- [Standard Terms]
- (viii) 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]

[Standard Terms]

Default Requirement: []

Payment Requirement: []

(ix) Notice of Publicly Available Information: [Applicable][Not Applicable]

[If Applicable:

Public Source(s): []

Specified Number: []]

(x) Obligation(s):

(a) Obligation Category: [Payment]

(select one only) [Borrowed Money]

[Reference Obligation Only]

[Bond]

[Loan]

[Bond or Loan]

[Standard Terms]

(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]

		[Standard Terms]
(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]:	[]
(xi)	Accrual of Interest upon Credit Event:	[Applicable] [Not Applicable]
(xii)	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]]
(xiii)	Unwind Costs:	[Standard Unwind Costs] [specify other] [Not Applicable]
(xiv)	Provisions relating to Monoline Insurer as Reference Entity:	Credit Linked Condition 15: [Applicable] [Not Applicable]
(xv)	Provisions relating to LPN Reference Entities:	Credit Linked Condition 17: [Applicable] [Not Applicable]
(xvi)	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:	Obligation	[Payment]
	(select one only)		[Borrowed Money]
			[Reference Obligation only]
			[Bond]
			[Loan]
			[Bond or Loan]
			[Standard Terms]
	Deliverable Characteristics:	Obligation	[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]
			[Standard Terms]
	Sovereign Package Delivery:	No Asset	[Applicable/Not Applicable]
			[Standard Terms]
(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]
[Standard Terms]

(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]

(xvii) **Other Terms:**

(a) Subordinated European Insurance Terms: [Applicable/Not Applicable]
[Standard Terms]

(b) Financial Reference Entity Terms: [Applicable/Not Applicable]
[Standard Terms]

(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]

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 [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]
 (only applicable to ETFs)
- (ix) Strike Date: [specify][Not Applicable]
 (only applicable to ETFs)
- (x) Strike Period [and Strike Days]: [specify strike period][Not Applicable][specify Strike Days in the Period]
- (xi) 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 not Specific Maximum Days of Disruption are

stated, Specific Maximum Days of Disruption will be equal to five)

- (xii) Observation Date: [specify][Not Applicable]
- In the event that an Observation Date is a Disrupted Date [Omission][Postponement][Modified Postponement] will apply
- (xiii) Observation Period: [specify][Not Applicable]
- (xiv) Coupon Valuation Date(s): [specify][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][<i>specify</i>]
(xxxi)	Termination Date:	[<i>specify</i>][Not Applicable]
(xxxii)	Fee:	[] [Not Applicable]
(xxxiii)	Protected Amount:	[<i>specify</i>][Not applicable]
(xxxiv)	Simple Interest Spread:	[As per Fund Linked Conditions][<i>specify</i>]
(xxxv)	Specified Maximum Days of Disruption:	[<i>specify</i>][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][]

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)) (<i>insert where "Rate of Interest (ix) – Range Accrual" applies under item 18(vi)</i>) <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Base Currency:	[<i>specify</i>][Not Applicable][For Reference Item[(k)]: <i>insert</i>]]
(ii)	Subject Currency/Currencies:	[<i>specify</i>][Not Applicable][For Reference Item[(k)]: <i>insert</i>]] [and EM Foreign Exchange Rate Provisions apply to such Subject Currency]
(iii)	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>]]
(iv)	Averaging:	Averaging [applies][does not apply] to the Notes. [The Averaging Dates are <i>specify</i>]] [see paragraph [] above]
(v)	Observation Date(s):	[<i>specify</i>][Not Applicable]
(vi)	Observation Period:	[<i>specify</i>][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]
- (f) Number of Postponement Settlement Days: [[Two][specify]] [Business Days] [specify]
- (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 [specify]
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)
- (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]

PROVISIONS APPLICABLE TO REFERENCE ITEM RATE LINKED NOTES

46. 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)), [and][the Automatic Early Redemption provisions]
- [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 subparagraphs 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 subparagraphs 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 whose lawful currency is the euro)]*
- (iii) 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]
- (iv) [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.)]
- (v) Coupon Valuation Date(s): [specify][Not applicable]
- (vi) Rate Cut-Off Date: [specify] [See paragraph [specify]][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 [specify] [A Target2 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]

PROVISIONS APPLICABLE TO PHYSICAL DELIVERY

47. Provisions applicable to Physical Delivery: [Applicable][in accordance with Credit Linked Conditions and paragraph 42 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]
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(j)(ii).

GENERAL PROVISIONS APPLICABLE TO PARTLY PAID NOTES

49. Partly Paid Notes: [Applicable][Not Applicable]
- (Conditions will need to be amended if the Partly Paid Notes are not Fixed Rate Notes or Floating Rate Notes which are which are not Reference Item Linked Notes and US counsel must be consulted if such Notes are also intended to be sold to US investors)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Part Payment Amounts and Part Payment Dates:

	Part Payment Amount	Part Payment Date
	<i>[specify]</i>	<i>[Issue Date]</i>
	<i>[specify]</i>	<i>[specify]</i>

(Repeat as necessary)
 - (ii) Notice period for notice to be given by the Issuer in respect of each Part Payment Date: *[specify] [5] [Business Days'] notice*
 - (iii) Notice period for notice to be given by the Issuer in respect of any early redemption of the Notes following non-payment of any Part Payment Amount: *[specify] [5] [Business Days'] notice*
 - (iv) Part Payment Early Redemption Date (if any): *[specify] [5] [Business Days'] following the relevant Part Payment Date*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

50. **Form of Notes:** [Book-Entry Notes: [Uncertificated, dematerialised book-entry form notes (*anotaciones en cuenta*) registered with Iberclear] [as managing entity of the Central Registry][*other registry*]][*other*]
- [Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Temporary Global Note]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes: [Restricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC]] [Unrestricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]] [*Delete as applicable*]
51. Additional Business Centres: [Not Applicable] [*Insert Additional Business Centres*]
52. Additional Financial Centre for Condition 7(i) and other special provisions relating to Relevant Business Days: [Not Applicable] [*Insert Additional Financial Centre*] [*Specify any additional provisions relating to Relevant Business Days*]
- (*Note that this item relates to the date and place of payment, and not Business Days*)
53. New Global Note Form: [Yes] [No] (*Note that Book-Entry Notes and Partly Paid Notes may not be issued in New Global Note form*)
54. Talons for future Coupons or Receipts to be attached to definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. *If yes, insert dates*][Not Applicable]
55. Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): [Not Applicable] [(**"Instalment Amount"** means [*insert amount*] per Calculation Amount and **"Instalment Date(s)"** means [each of] [*specify*]). [For the avoidance of doubt, if any Instalment Date falls on or about the due date for the redemption of the Notes in full, the Instalment Amount will remain payable on the relevant Instalment Date.]]

56. Consolidation provisions: [Not Applicable][The provisions [in Condition 13 (*Further Issues*)] apply]
57. Calculation Agent: [*specify*] [Banco Santander, S.A.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these 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: _____

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- | | | |
|------|----------------------|---|
| (i) | Listing | <i>[Insert Listing/None]</i> |
| (ii) | Admission to trading | <p><i>[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]</i></p> |

[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"). Taipei Exchange ("TPEX") is not responsible for the content of this Pricing Supplement, the Base Prospectus [and the amendment[s] and/or supplement[s] thereto] and no representation is made by TPEX to the accuracy or completeness of these Pricing Supplement [and], the Base Prospectus [and the amendment[s] and/or 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 amendment[s] and/or 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. and the supplement[s] thereto No assurance can be given as to whether the Notes will be, or will remain, listed on TPEX. If the Notes fail to or cease to be listed on TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes]

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

Taipei Exchange ("TPEX") is not responsible for the content of this Pricing Supplement, the Base Prospectus [and the amendment[s] and/or supplement[s] thereto] and no representation is made by TPEX to the accuracy or completeness of these Pricing Supplement [and], the Base Prospectus [and the amendment[s] and/or 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 amendment[s] and/or 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

- | | | |
|-------|--|-----------------|
| (iii) | [Estimate of total expenses related to admission 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: []

CFI: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

FISN: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

Any clearing system(s) other than Euroclear Bank SA/NV 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>] |
| | | <p>[The Notes have not been, and shall not be, offered, 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. <i>(Note that this item is to be inserted if Notes are admitted to trading on the TPEx)</i>]</p> |
| (vii) | Prohibition of Sales to EEA Retail Investors: | <p>[Applicable[, other than with respect to offers of the Notes in <i>[specify jurisdiction(s) for which a PRIIPs KID is being prepared]</i> [during the period[s] []]-
 [] <i>[repeat periods as necessary]</i>]/Not Applicable]</p> |

6. U.S. TAX CONSIDERATIONS

[The Notes are [not] Specified Notes for purposes of Section 871(m).] [Based on market conditions on the date of these Final Terms, the Issuer has made a preliminary determination that the Notes are [not] Specified Notes for purposes of Section 871(m). This is a preliminary determination only that is subject to change based on market conditions on the Issue Date. If the Issuer's final determination is different then it will give notice of such determination.] [Please contact [give name(s) and address(es) of Issuer contact] for further information regarding the application of Section 871(m) to the Notes.] *(The Notes will not be Specified Securities if they (i) are issued prior to January 1, 2021 and are not "delta-one" for U.S. tax purposes 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 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 and (i) are issued prior to January 1, 2021 and provide a return that does not differ significantly from the return on an investment in the underlying, or (ii) are issued on or after January 1, 2021, further analysis would be required.)*

7. [ROC TAXATION]

[N.B.: To be inserted if Notes are listed on the Taipei Exchange: The following is a general description of the principal of the 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, directly or indirectly, to professional institutional investors as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC only. 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.]

Interest on the Notes

As the Issuer is not an ROC statutory tax withholder, there is no ROC withholding tax on the interest to be paid on the Notes.

ROC corporate holders must include the interest [or deemed interest]² receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20 per cent. (unless the total taxable income for a fiscal year is under NT\$500,000), as they are subject to income tax on their worldwide income on an accrual basis. The alternative minimum tax ("**AMT**") is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to a 0.1 per cent. securities transaction tax ("**STT**") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Notes will be subject to STT at 0.1 per cent. of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the Income Basic Tax Act of the ROC (also known as the AMT Act), the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders may be carried over 5 years to offset against capital gains of the same category of income for the purposes of calculating their AMT.

[Specify]

8. [ROC SETTLEMENT AND TRADING]

[N.B.: To be inserted if Notes are listed on the Taipei Exchange: 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 Depositary & Clearing Corporation ("**TDCC**") to the settlement of the Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg 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

² Applicable for Zero Coupon Notes only.

In addition, an investor may apply to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream, Luxembourg to the TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets.

9.	SPECIFIC PROVISIONS	BASIS	BUY-BACK	[Applicable]	[Not Applicable]

(The Specific Basis Buy-Back Provisions may only apply where Banco Santander, S.A. acts as the sole Dealer and the Calculation Agent and where the Specified Denomination in respect of each Note is equal to at least Euro 100,000 (or its equivalent amount in the Specified Currency))

In the event that the Issuer accepts a request to buy-back the Notes, the price at which the Issuer will buy-back the Notes (the Buy-Back Price) will be determined taking into consideration the Market Value of the Underlying Transactions.]

Underlying Transactions:	Information relating to:
•	

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(ii) the Underlying Transactions, and any changes thereto,

shall be published on [[●]] [the website of Euronext Dublin (www.ise.ie)] [*specify alternative method of publication*].

- Issuer contact details for notices: Santander International Products Public Limited Company
[specify address]
[specify e-mail]

FORM OF NOTES

General

Unless otherwise specified in the Applicable Transaction Terms, the Notes shall be represented initially by one or more Notes in global form.

Registered Notes shall be represented initially by one or more global Notes in registered form, without Coupons (each, a "**Global Note Certificate**").

If so specified in the Applicable Transaction Terms, Registered Notes may be represented, in whole or in part, by a U.S. Global Note Certificate (as defined below), that is 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 U.S. Global Note Certificates and Unrestricted U.S. Global Note Certificates (each as 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 U.S. Global Note Certificates or, as the case may be, Unrestricted U.S. 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 Terms, Registered Notes may be represented, in whole or in part, by an International Global Note Certificate (as defined below) that is deposited with or on behalf of a common depositary or, in the case of an International 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. Beneficial interests in the Restricted International Global Note Certificates and Unrestricted International Global Note Certificates (each as defined below) shall be represented through book-entry accounts of 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 (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 bearer form, without coupons (a "**Permanent Global Note**" and each of a Temporary Global Note and a Permanent Global Note, a "**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 two business 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 Registered Notes in definitive form, each evidenced by an individual note certificate (an "**Individual Note Certificate**").

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, 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 International 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 International Global Note Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes or the International 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 International Global Note Certificates which are held under NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear or Clearstream, Luxembourg.

Global Note Certificates

General

Unless otherwise specified in the relevant Applicable Transaction Terms, Registered Notes of the same Series will be represented, in whole or in part, by either (i) a Restricted Global Note Certificate and/or an Unrestricted 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 (respectively, a "**Restricted U.S. Global Note Certificate**" and an "**Unrestricted U.S. Global Note Certificate**" and each a "**U.S. Global Note Certificate**") or (ii) a Restricted Global Note Certificate and/or an Unrestricted 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 (respectively, a "**Restricted International Global Note Certificate**" and an "**Unrestricted International Global Note Certificate**" and each an "**International Global Note Certificate**").

U.S. Global Note Certificates and International Global Note Certificates will be sold in reliance on specific registration exemptions of the Securities Act. U.S. Global Note Certificates will be subject to special restrictions and procedures referred to under "*U.S. Global Note Certificates*" below, and International Registered Global Notes will be subject to special restrictions and procedures referred to under "*International Global Note Certificates*" below.

U.S. Global Note Certificates

Notes that are sold in reliance on Rule 144A will be represented by 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*".

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, 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 outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act or pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) 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 a beneficial interest in another U.S. Global Note Certificate of the same Series will, upon transfer, cease to be a beneficial interest in the first mentioned U.S. Global Note Certificate, will become a beneficial interest in such other U.S. Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other U.S. Global Note Certificate for as long as it remains such a beneficial interest.

Book-Entry System (DTC)

Upon the issuance of a U.S. Global Note Certificate, 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 Certificate to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in a U.S. Global Note Certificate 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 a U.S. Global Note Certificate 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 Certificate, 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 Certificate for all purposes under the Agency Agreement and the Notes. Unless DTC notifies the Issuer that it is unwilling or unable to continue as depositary 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, DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by the Issuer within 90 days or, in respect of an Unrestricted U.S. Global Note Certificate only, Euroclear or Clearstream, Luxembourg or DTC is closed for business for a continuous period of 14 days or announces an intention to permanently cease business or an Event of Default has occurred and is continuing with respect to such Note, 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 Unrestricted Individual 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 Certificate 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 Certificate 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 as participants of DTC).

Investors may hold their interests in an Unrestricted U.S. Global Note Certificate through Euroclear or Clearstream, Luxembourg (as participants of DTC), if they are participants in such systems, or indirectly

through organisations which are participants in such systems. Beginning 40 days after the later of the commencement of the offering and the date of delivery of the Notes represented by such Unrestricted U.S. Global Note Certificate (but not earlier), investors may also hold such interests through organisations other than Euroclear and Clearstream, Luxembourg that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold interests in an Unrestricted U.S. Global Note Certificate on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC.

Investors may hold their interests in a Restricted U.S. Global Note Certificate directly through DTC, if they are participants in such system, or indirectly through organisations which are participants in such system.

Payments of the principal of and any premium, interest, and other amounts on any U.S. Global Note Certificate 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 Certificate 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 Certificate 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 Certificate 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 Certificate 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 Certificate 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 Certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in any U.S. Global Note Certificate in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a U.S. Global Note Certificate 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 Certificate 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 Certificate 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 Certificate (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 Certificate are credited and only in respect of such portion of the aggregate principal amount of such U.S. Global Note Certificate 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 Certificate, DTC will exchange such U.S. Global Note Certificate for Individual Note Certificates, 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 Note Certificates 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 Global Note Certificates

If so specified in the Applicable Transaction Terms, Registered Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented, in whole or in part, by a 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 will be represented, in whole or in part, by an Unrestricted International Global Note Certificate. International Global Note Certificates will be either (i) registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depository (in the case of a Certificate that is not to be held under the New Safekeeping Structure), or (ii) registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common safekeeper (in the case of a Certificate that is to be held under the New Safekeeping Structure), in each case for credit to the respective accounts of beneficial owners of the Notes represented thereby.

Investors may hold their interests in an International Global Note Certificate 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 Global Note Certificate on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories or safekeepers, as applicable.

So long as the common depository, or, in the case of a Certificate to be held under the New Safekeeping Structure, the common safekeeper, or the relevant nominee, is the registered holder of an International Global Note Certificate, the common depository, common safekeeper or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by the relevant International Global Note Certificate for all purposes under the Agency Agreement and such Notes. Holders of beneficial interests in an International Global Note Certificate will not be entitled to have any portion of such International Global Note Certificate 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 Global Note Certificate 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 Global Note Certificate 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 Global Note Certificate 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 an International Global Note Certificate represented by a Global Note Certificate held by a common depositary or 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 Global Note Certificate evidenced by such Global Note 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 Global Note Certificate 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 Global Note Certificates will bear a legend to the effect set forth in "*Transfer Restrictions*". Book-entry interests in International Global Note Certificates will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*".

Transfer of ownership interests in a Restricted International Global Note Certificate ("**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 an Unrestricted International Global Note Certificate ("**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 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, Luxembourg or persons who hold interests through Euroclear or Clearstream, Luxembourg 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 beneficial interest in an International Global Note Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in another International Global Note Certificate will, upon transfer, cease to be a beneficial interest in the first mentioned International Global Note Certificate and will become a beneficial interest in such other International Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other International Global Note Certificate for as long as it remains such a beneficial interest.

Modifications to the Conditions of Notes represented by Global Note Certificates

Payments: Notwithstanding the provisions of Condition 7(b) (*Payments, Talons and Physical Delivery – Registered Notes*), the "**Record Date**" for the purposes of payments in respect of Registered Notes represented by Global Note Certificates shall be the close of business (in the relevant clearing system), on the Clearing System Business Day before the due date for payment thereof, 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.

Notices: Notwithstanding Condition 14 (*Notices*), so long as a Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system, notices to Noteholders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg, DTC or (as the case may be) such other clearing system and, in any case, such notices shall be deemed to have been given in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear, Clearstream, Luxembourg or DTC and/or such other clearing system. In addition, for so long as such Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Exercise of call option: In connection with an exercise of the option contained in Condition 6(e) (*Redemption at the Option of the Issuer and Exercise of Issuer's Options*) in respect of some but not all of the Notes, the Notes represented by the relevant Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions, and the Notes to be redeemed will be selected in accordance with the standard rules and 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 DTC or any other clearing system (as the case may be).

Exercise of put option: In order to exercise the option contained in Condition 6(f) (*Redemption at the Option of Noteholders and holders' Exercise of Noteholder's Options*) the registered holder must, within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions, give notice to the Principal Paying Agent substantially in the form of the notice available from any Paying Agent, stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the relevant Global Note Certificate to the Principal Paying Agent, or to a Paying Agent for notation. Any such notice shall be irrevocable and may not be withdrawn.

Physical Delivery in relation to International Global Note Certificates: In order to obtain delivery of any Entitlement in respect of any Physical Delivery Note represented by an International Global Note Certificate, any Asset Transfer Notice should be delivered to the Principal Paying Agent in the manner acceptable to Euroclear or Clearstream, Luxembourg which is expected to be by authenticated SWIFT message and must include an irrevocable instruction to the relevant clearing system to debit the relevant securities account with the relevant Notes on or before the date of delivery of the Entitlement.

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, which shall be exchangeable, unless otherwise specified in the Applicable Transaction Terms, (i) for a Permanent Global Note, without Coupons attached, which shall in turn be exchangeable (in whole, but not in part) in limited circumstances in the form of definitive Bearer Notes, with or without Coupons attached, or for interests in a Certificate of such Series, (ii) in whole but not in part, directly for definitive Bearer Notes, with or without Coupons attached, which shall in turn be exchangeable at the option of the Noteholder for interests in a Certificate of such Series or (iii) directly for interests in a Certificate. Purchasers in the United States (including its territories, its possessions and other areas subject to its jurisdiction) will not be able to receive Bearer Notes.

The Principal Paying Agent shall deliver each Temporary Global Note executed and authenticated: (1) in the case of a Classic Global Note, to the common depositary; or (2) in the case of 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 Note will be considered the sole owner and holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and such Notes. Owners of beneficial interests in a Global Note will not be considered the owners or holders of such Global Note (or any Notes represented thereby) under the Agency Agreement or the Notes. In addition, no beneficial owner of an interest in a 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 Global 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 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 Note held by a common depository or its nominee or by a common safekeeper, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global 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 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, interests in the Temporary Global Note 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 Bearer Notes of the same Series, in each case pursuant to the procedures set forth in the next paragraph, with respect to that portion of such Temporary Global Note; provided, however, that, if definitive Bearer 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 Bearer Notes, then such Temporary Global Note may only thereafter be exchanged for definitive Bearer Notes and (if applicable) Coupons pursuant to the terms of the Agency Agreement and of such Notes.

If the Applicable Transaction Terms specifies that a Temporary Global Note is exchangeable for definitive Bearer Notes or a Permanent Global Note becomes exchangeable for definitive Bearer Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of definitive Bearer Notes (or, as described below, Certificates) to the order of the Principal Paying Agent within 30 days of the bearer requesting exchange, and, in the case of a Temporary Global Note in respect of which the Applicable Transaction Terms specifies that the D Rules are applicable, upon receipt of the certifications required by United States Treasury Regulations referred to above.

Any definitive Bearer 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.

Where the Applicable Transaction Terms specifies that the Notes are "Exchangeable Bearer Notes" then, upon the conditions set out in the Agency Agreement, Permanent Global Notes and definitive Bearer Notes representing such 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 Bearer Notes, upon surrender of such definitive Bearer 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, an Exchangeable Bearer Note is surrendered for exchange after the Clearing System Business Day before the due date for any payment of interest or any Instalment Amount, or such other record Date as may be applicable, the Coupon in respect of that payment of interest or Receipt in respect of that Instalment Amount need not be surrendered with it.

No holder of any Note may require a Permanent Global Note or definitive Bearer Note to be exchanged for a Registered Note during the period of 15 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 Notes of a Series shall in all respects be entitled to the same benefits under the Agency Agreement as definitive Bearer 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.

Modifications to the Conditions of Notes represented by Global Notes

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

Notices: Notwithstanding Condition 14 (*Notices*), while any Notes are represented by a Temporary Global Note or a 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 except that for so long as such Notes are listed on the regulated market of Euronext Dublin and its rules so require, notices will also be published in a leading newspaper having general circulation in Ireland (which is expected to be the *Financial Times*).

In relation to the Permanent Global Note only:

Exercise of call option: In connection with an exercise of the option contained in Condition 6(e) (*Redemption at the Option of the Issuer and Exercise of Issuer's Options*) in respect of some but not all of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will be selected in accordance with 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(f) (*Redemption at the Option of Noteholders and holders' Exercise of Noteholder's Options*) the bearer of the Permanent Global Note must, within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions, give notice to the Principal Paying Agent substantially in the form of the notice available from any Paying Agent 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. Any such notice shall be irrevocable and may not be withdrawn.

Physical Delivery: In order to obtain delivery of any Entitlement in respect of any Physical Delivery Note represented by a Global Note, any Asset Transfer Notice should be delivered to the Principal Paying Agent in the manner acceptable to Euroclear or Clearstream, Luxembourg which is expected to be by authenticated SWIFT message and must include an irrevocable instruction to the relevant clearing system to debit the relevant securities account with the relevant Notes on or before the date of delivery of the Entitlement.

The following legend will appear on all Permanent Global Notes and definitive Bearer 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.

Book-Entry Notes

Book-Entry Notes admitted to trading on AIAF and other Spanish regulated markets

Notes may be issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) ("**Book-Entry Notes**"). Book-Entry Notes which are admitted to trading on the AIAF Fixed Income Securities Market ("**AIAF**") of the Spanish Stock Exchange will be issued as "*anotaciones en cuenta*" and registered with *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal* ("**Iberclear**") as managing entity of the Central Registry. Such Book-Entry Notes will be constituted as such by virtue of their entry in the corresponding accounting book of Iberclear.

The holders of Book-Entry Notes which are admitted to trading on AIAF will be identified as such (on their own account or for the account of third parties) in the accounting book maintained by Iberclear or the relevant member (*entidad participante*) of Iberclear ("**Iberclear Member**") (as the case may be). The clearing and settlement of the Book-Entry Notes which are admitted to trading on AIAF will be carried out in accordance with the operating rules that are established by or in the future may be approved by Iberclear.

Payments to be made in respect of Book-Entry Notes which are admitted to trading on AIAF will be made by the Issuer (or on its behalf) to Iberclear or the relevant Iberclear Member (as the case may be), in whose records such Book-Entry Notes are registered, in accordance with Iberclear's current procedures.

One or more certificates evidencing the relevant Noteholder's holding of Book-Entry Notes in the relevant registry will be delivered by Iberclear or the relevant Iberclear Member (as the case may be), in whose records the Book-Entry Notes are registered, or, where the Noteholder is itself an institution participating in Iberclear, by Iberclear (in each case, in accordance with the requirements of Spanish law and the procedures of the relevant Iberclear Member or, as the case may be, Iberclear) to such Noteholder upon such Noteholder's request.

Book-Entry Notes may also be admitted to trading on Spanish regulated markets other than AIAF, in which case references above to AIAF will be deemed to be to such other Spanish regulated market.

Other provisions relating to Book-Entry Notes

Title to the Book-Entry Notes will be evidenced by book entries and each person shown in the registries maintained by Iberclear Members as having an interest in the Book-Entry Notes shall be considered, by the Issuer, the Guarantor and their agents, as the holder of the principal amount of Book-Entry Notes recorded therein, and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly in respect of Book-Entry Notes.

The creation of limited in rem rights or any other encumbrance on a Book-Entry Note must be entered in the corresponding account and effected in accordance with the then current procedures of Iberclear and or their respective members.

Further tranches of Book-Entry Notes (fungible Book-Entry Notes)

The Issuer shall arrange (without the requirement to obtain the consent of the Noteholders) that, where a further Tranche of Book-Entry Notes is issued which is intended to form a single Series with an existing Tranche of Book-Entry Notes, the Book-Entry Notes of such further Tranche shall be assigned the same common code and ISIN.

Iberclear

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form (*anotaciones en cuenta*) to be listed on a Spanish regulated market, and the clearing and settlement of all trades from the Spanish Stock Exchange, the Public Debt market, AIAF and Latin American stock exchange denominated in euros (Latibex).

Iberclear is owned by the group *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.* a holding company which holds a 100 per cent. interest in the Spanish regulated markets, Bolsa de Madrid, Bolsa de Barcelona, Bolsa de Bilbao, Bolsa de Valencia, AIAF, Senaf, Latibex, Mercado Alternativo Bursátil and in the Spanish settlement systems BME Clearing and Iberclear. The clearance and settlement system of Iberclear and its members are responsible for maintaining records of purchases and sales under the book-entry system.

Iberclear maintains a registry reflecting the number of securities held by each of its member entities on its own behalf as well as the number of securities held of behalf of the third parties. Each member entity, in turn, maintains a registry of the owners of such securities.

On the relevant date for payment of interest amounts in respect of debt securities, Iberclear credits to each participant entity an amount corresponding to the balance of the securities appearing in the records of the relevant participant entity on the day prior to the relevant payment date.

Legend appearing on Implicit Yield Notes other than Book-Entry Notes

The following legend will appear on all Notes and on all receipts and coupons relating to Implicit Yield Notes other than Book-Entry 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 (i) RECOGNISE ANY SPANISH INDIVIDUAL AS AN OWNER OF IMPLICIT YIELD NOTES OR (ii) LIST ANY IMPLICIT YIELD NOTES ON AIAF."

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 unauthorized, 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 acquiring such Notes for its own account or for the account of a qualified institutional buyer and (C) is aware that the sale to it is being made in reliance on Rule 144A.
- (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 or any other applicable U.S. State securities laws, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Notes, it will do so, prior to the expiration of the applicable holding period determined pursuant to Rule 144 under the Securities Act from the later of the Issue Date of the Notes and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (A) inside the United States, to a person who the seller reasonably believes is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) outside the United States, in compliance with Rule 903 or Rule 904 under the Securities Act, (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 U.S. State securities laws or any other jurisdiction, or (D) to the Issuer, the Guarantor or their respective affiliates.
- (3) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.
- (4) The purchaser understands that Notes of a Series offered in reliance on Rule 144A will be represented by a Restricted U.S. Global Note Certificate or, as the case may be, a Restricted International Global Note Certificate. Before any interest in such Restricted U.S. 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 U.S. 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.
- (5) 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.

- (6) 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 definitive Bearer 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, AS AMENDED (THE "**SECURITIES ACT**") OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) INSIDE THE UNITED STATES, 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) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF 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. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THE TERMS AND CONDITIONS OF THE NOTES TO ITS TRANSFEREE.

IF THIS RESTRICTED U.S. GLOBAL 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 RESTRICTED U.S. GLOBAL 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 GLOBAL NOTE CERTIFICATE ISSUED UPON REGISTRATION OF TRANSFER OR EXCHANGE OF THIS RESTRICTED U.S. GLOBAL 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, AS AMENDED (THE "**SECURITIES ACT**") OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) INSIDE THE UNITED STATES 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) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 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. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THE TERMS AND CONDITIONS OF THE NOTES TO ITS TRANSFEREE.

IF THIS RESTRICTED INTERNATIONAL GLOBAL 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 RESTRICTED INTERNATIONAL GLOBAL 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 GLOBAL NOTE CERTIFICATE ISSUED UPON REGISTRATION OF TRANSFER OR EXCHANGE OF THIS RESTRICTED INTERNATIONAL GLOBAL 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. AS AMENDED (THE "**SECURITIES ACT**") OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) INSIDE THE UNITED STATES 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) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF 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. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THE TERMS AND CONDITIONS OF THE NOTES TO ITS TRANSFEREE."

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.

Each Permanent Global Note, Unrestricted U.S. Global Note Certificate, Unrestricted International Global Note Certificate and Unrestricted Individual Note Certificate will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

[THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.]

No transfer of Implicit Yield Notes other than Book-Entry Notes to Spanish Individuals

The sale, transfer or acquisition of Implicit Yield Notes (as defined below) other than Book-Entry 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 other than Book-Entry 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 (i) recognise any Spanish Individual as an owner of Implicit Yield Notes other than as an owner of Book-Entry Notes or (ii) list any Implicit Yield Notes other than Book-Entry Notes on AIAF.

"**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 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland telephone number: (+353) 16146240.

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 39,995 of the issued ordinary shares of the Issuer are held by the Guarantor and the remaining five shares are held by Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Merciver S.L, Altamira Santander Real Estate, S.A. and Geobán, S.A.. 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 Euronext Dublin, the Luxembourg Stock Exchange, AIAF and the Taipei 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 2018, EUR 1,561,206,640.

Directors

The Directors of the Issuer are as follows:

Name	Principal Occupation	Other Activities
Adrian Masterson	Director	-
Fermín Cifuentes Muntadas	Director	-
Carlos Ignacio Muñiz González-Blanch	Director	-
Mercedes Mora Palacios	Director	Santander Back Offices Globales Mayoristas, S.A. (Member of the Board of Directors)
José Muñoz Pérez	Director	Santander Back Offices Globales Mayoristas, S.A. (Member of the Board of Directors)
Alfredo Madrigal Matute	Director	-
José Manuel Colina Garea	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.

TMF Administration Services Limited 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.

Principal Markets

As the Issuer's primary role is to support the Santander Group by issuing preferred securities and other financial instruments, the Issuer is not in direct competition with any other entities and as such there is currently no information to disclose in respect of its competitive position.

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, PricewaterhouseCoopers, chartered accountants and registered auditors, are members of the Institute of Chartered Accountants, qualified to practice in Ireland. As registered auditors, PricewaterhouseCoopers are regulated by the Irish Auditing and Accounting Supervisory Authority ("**IAASA**"), whose address is Willow House, Millennium Park, Naas, County Kildare, Ireland. The registered office of the Irish firm of PricewaterhouseCoopers is 1 Spencer Dock, North Wall Quay, Dublin 1, Ireland.

Selected historical key financial information

Statement of Comprehensive Income of the Issuer for the years ended 31 December 2017 and 2018

	Year ended 31/12/2017 EUR	Year ended 31/12/2018 EUR
Interest income on investments	29,631,636	38,128,728
Interest expense on notes issued	(61,262,337)	(55,559,918)
Net interest income from derivatives	31,736,177	17,431,190
Amortisation on discount arising on origination of loans and receivables	-	-
Amortisation of discount on issuance of notes	-	-
Net interest income	105,476	-
Net realised gains on notes issued – designated as at fair value through profit or loss	7,310,441	5,175,689
Net realised losses on derivatives	(7,099,238)	(5,875,104)
Net unrealised gains on notes issued – designated as at fair value through profit or loss	(31,384,603)	130,226,104
Net unrealised losses on derivatives	(11,906,910)	(72,325,445)
Net unrealised gains on investments – designated as at fair value through profit or loss	43,406,570	(57,061,223)
Net foreign exchange (loss)/gain	(326,260)	(140,021)
	105,476	-
Other income	897,011	803,683
Other expenses	(911,161)	(732,880)
Net income for the year before taxation	91,326	70,803
Taxation	(27,398)	(21,241)
Profit for the financial year after taxation	63,928	49,562
Total comprehensive income for the financial year	63,928	49,562

Statement of Financial Position of the Issuer for the years ended 31 December 2017 and 2018

	As at 31/12/2017 EUR	As at 31/12/2018 EUR
Assets		
Investment – designated at fair value through profit or loss	1,345,218,595	892,352,574
Loans and receivables	466,053,471	655,199,413
Derivatives	61,694,858	48,999,299
Interest receivable on investments	5,320,076	6,914,443
Other debtors	552,036	1,149,019
Withholding tax receivable	105,498	72,512
Corporation tax receivable	16,293	-
Cash and cash equivalents	1,119,470	1,767,849
	1,880,064,004	1,606,471,402
Liabilities		
Notes issued – designated as at fair value through profit or loss	1,343,179,343	798,477,275

Notes issued – at amortised cost	465,214,036	655,199,413
Derivatives	64,573,551	142,874,597
Interest payable on notes issued	3,997,533	2,908,981
Corporation tax payable	27,398	-
Deferred income	318,127	892,538
Expense accruals	86,376	82,379
Other creditors	1,937,672	5,256,689
	<u>1,879,334,036</u>	<u>1,605,691,872</u>
Net assets	<u>729,968</u>	<u>779,530</u>
Equity		
Share capital	40,000	40,000
Capital contribution	337,000	337,000
Retained earnings	352,968	402,530
Shareholders' funds	<u>729,968</u>	<u>779,530</u>

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**" (and references to "**us**" or "**our**" shall be construed accordingly) 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 2017 and 31 December 2018 were audited by the independent auditors, PricewaterhouseCoopers Auditores, S.L. PricewaterhouseCoopers Auditores, S.L. is registered under number S-0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). PricewaterhouseCoopers Auditores, S.L. is a member of the *Instituto de Censores Jurados de Cuentas de España*. The address of PricewaterhouseCoopers Auditores, S.L. is Torre PwC, Paseo de la Castellana, 259B, Torre PwC, Madrid.

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.*

Unaudited Condensed Balance Sheet and Income Statement (million euro)	31 December 2017	31 December 2018	Variation (%)
Total assets	1,444,305	1,459,271	1

Net customer loans	848,915	882,921	4
Customer deposits	777,730	780,496	0
Shareholders' equity	116,265	118,613	2
Net interest income	34,296	34,341	0
Gross income	48,355	48,424	0
Profit before tax	12,091	14,201	18
Profit for the year from continuing operations	8,207	9,315	14
Profit attributable to the Parent	6,619	7,810	18

- 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.***

Not applicable.

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 35 to 97 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 Guarantor is a Spanish company with legal status as a public limited company (*sociedad anónima*), with the status of a bank and is governed by the Restated Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). The Guarantor is subject to special legislation for credit institutions in general, the supervision, control and regulation of the European Central Bank and, as a listed company, the regulatory supervision of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and, as a credit institution, to Law 10/2014, of 26 June on the management, supervision and solvency of credit institutions and Royal Decree 84/2015, of 13 February, developing Law 10/2014, of 26 June, on ordination, supervision and solvency of credit institutions.

The current Bylaws, which have been adapted to the current *Ley de Sociedades de Capital*, 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 €8,118,286,971 divided into 16,236,573,942 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 principal operating 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, Reorganizations

The Group's principal acquisitions and dispositions in 2016, 2017 and 2018 were as follows:

Sale of the 49% stake in Wizink

Once the relevant regulatory authorizations had been obtained, on 6 November 2018 the operations related to the agreement reached with entities managed by Varde Partners, Inc ("**Varde**") and with WiZink Bank, S.A. ("**WiZink**") communicated by the Group on 26 March 2018 by virtue of which:

- i. Banco Santander, S.A. sold its 49% stake in WiZink to Varde for EUR 1,043 million, with no significant impact on the Group's results and,
- ii. Banco Santander, S.A. and Banco Santander Totta, S.A. acquired the business of credit and debit cards marketed by Grupo Banco Popular in Spain and Portugal that WiZink had acquired in 2014 and 2016. As a result of this transaction, the Group paid a total of EUR 681 million, receiving net assets worth EUR 306 million (mainly customer loans worth EUR 315 million), with the business combination generating a goodwill of EUR 375 million, which will be managed by the businesses in Spain.

With these transactions, the Group resumed Grupo Banco Popular's debit and credit card business, which improves the commercial strategy and facilitates Grupo Banco Popular's integration process.

ii. Acquisition of the retail banking and private banking business of Deutsche Bank Polska S.A

On 14 December 2017 the Group announced that its subsidiary Santander Bank Polska S.A. (previously Bank Zachodni WBK S.A.) together with Banco Santander, S.A., had reached an agreement with Deutsche Bank, A.G. for the acquisition (through a carve out) of the retail and private

banking business of Deutsche Bank Polska S.A., excluding the foreign currency mortgage portfolio and the CIB (Corporate & Investment Banking) business, and including the asset management company DB Securities, S.A. (Poland).

In November 2018, once the regulatory authorisations had been received and approved by the general shareholders' meetings of Santander Bank Polska S.A. and Deutsche Bank Polska, S.A., the acquisition of EUR 298 million in cash and newly issued shares of Santander Bank Polska S.A. subscribed in full by Deutsche Bank, A.G. was closed. As a result of this transaction, the Group has acquired net assets worth EUR 365 million, mainly loans and deposits to customers and credit institutions amounting to EUR 4,304 million and EUR 4,025 million, respectively, and negative value adjustments amounting to 82 million euros (mainly under line "Loans").

The difference between the fair value of the net assets acquired and the transaction value resulted in a gain of EUR 67 million which was recognised under "Negative Goodwill Recognised in Income" in the Group's consolidated income statement.

iii. Acquisition of Banco Popular Español, S.A.U.

On 7 June 2017 (the acquisition date), as part of its growth strategy in the markets where it is present, the Group communicated the acquisition of 100% of the share capital of Banco Popular Español, S.A.U. (merged with Banco Santander) as a result of a competitive sale process organised in the framework of a resolution scheme adopted by the SRB and executed by the FROB, Spanish single resolution board, in accordance with Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 May 2014, and Law 11/2015, of 18 June for the recovery and resolution of credit institutions and investment firms.

As part of the execution of the resolution:

- All the shares of Banco Popular outstanding at the closing of market on 7 June 2017 and all the shares resulting from the conversion of the regulatory capital instruments *Additional Tier 1* issued by Banco Popular have been converted into undisposed reserves.
- All the regulatory capital instruments Tier 2 issued by Banco Popular have been converted into newly issued shares of Banco Popular, all of which have been acquired for a total consideration of one euro by the Group.

The transaction was approved by all the applicable regulatory and antitrust authorities in the territories where Banco Popular operated.

In accordance with IFRS3, the Group measured the identifiable assets acquired and liabilities assumed at fair value. The detail of this fair value of the identifiable assets acquired and liabilities assumed at the business combination date was as follows:

As of 7 June 2017	Million of euros
Cash and balances with central banks	1,861
Financial assets available-for-sale	18,974
Deposits from credit institutions	2,971
Loans and receivables (*)	82,057
Investments	1,815
Intangible assets (*)	133
Tax assets (*)	3,945
Non-current assets held for sale (*)	6,531
Other assets	6,259
Total assets	124,546
Deposits from central banks	28,845
Deposits from credit institutions	14,094
Customer deposits	62,270
Marketable debt securities and other financial liabilities	12,919

Provisions (***)	1,816
Other liabilities	4,850
Total liabilities (**)	124,794
Net assets	(248)
Purchase consideration	—
Goodwill	248

(*) The main fair value adjustments were the following:

- Loans and receivables: in the estimation of their fair value, impairment have been considered for an approximate amount of EUR 3,239 million, considering, among others, the sale process carried out by the Bank.
- Foreclosed assets: the valuation, considering the sale process carried out by the company, has meant a reduction in the value of EUR 3,806 million, approximately.
- Intangible assets: includes value reductions amounting to approximately of EUR 2,469 million, mainly recorded under the "Intangible assets – goodwill".
- Deferred tax assets: mainly corresponds to the reduction of the value of negative tax bases and deductions for an approximate amount of EUR 1,711 million.

(**) After the initial analysis and the conversion of the subordinated debt, the best estimation is there is no significant impact between fair value and previous carrying amount of the financial liabilities.

(***) As a result of the resolution of Banco Popular, it includes the estimated cost of EUR 680 million relating to the potential compensation to the shareholders of Banco Popular of which EUR 535 million have been applied to the fidelity action.

The Group during 2018, closed their assessment exercise of the assets acquired and liabilities assumed at fair value, without any modification with respect to what was recorded in 2017.

iv. Sale agreement of Banco Popular's real estate business

In relation with Banco Popular's real estate business, on 8 August 2017, the Group announced the agreement with a Blackstone fund for the acquisition by the fund of 51% of, and hence the assignment of control over, part of Banco Popular's real estate business (the "**Business**"), which comprises a portfolio of foreclosed properties, real estate companies, non-performing loans relating to the sector and other assets related to these activities owned by Banco Popular and its affiliates (including deferred tax assets allocated to specific real estate companies which are part of the transferred portfolio) registered on certain specified dates (31 March 2017 or 30 April 2017).

The agreements were entered following the European Commission's unconditional authorization of the acquisition of Banco Popular Español, S.A.U. by Banco Santander, S.A. for the purposes of competition law.

The transaction closed on 22 March 2018 following receipt of the required regulatory authorizations and other usual conditions in this type of transactions. The transaction has consisted of the creation of various companies, being the parent company Project Quasar Investments 2017, S.L., in which Banco Santander, S.A. maintains 49% of the share capital and Blackstone the remaining 51%, and to which Banco Popular and some subsidiaries has transferred the business constituted by the indicated assets, and its participation in the capital of Aliseda Real Estate Management Services, S.L. The value attributed to the contributed assets is approximately 10,000 million euros, of which approximately 70% was financed with third party bank debt. After the contribution to the vehicle by its shareholders of the necessary liquidity for the transaction of the business, the 49% stake in the capital of the vehicles was recorded in the consolidated balance sheet of the Group for EUR 1,701 million in the "Investments in joint ventures and associates - entities" section, without significant impact in the Group's income statement

v. Merger by absorption of Banco Santander, S.A with Banco Popular Español, S.A.U.

On 23 April 2018 the boards of directors of Banco Santander, S.A. and Banco Popular Español, S.A.U. agreed to approve and sign the merger project by absorption of Banco Popular Español, S.A.U. by Banco Santander, S.A.

On 28 September 2018 the merger certificate of Banco Popular Español, S.A.U. by Banco Santander, S.A. was registered in the Mercantile Registry of Cantabria. After the merger, Banco Santander, S.A. has acquired, by universal succession, all the rights and obligations of Banco Popular Español, S.A.U., including those that have been acquired from Banco Pastor, S.A.U. and Popular Banca Privada, S.A.U., by virtue of the merger of Banco Pastor, S.A.U. and Popular Banca Privada, S.A.U. with Banco Popular Español, S.A.U. that was also approved on 23 April 2018 by the respective board of directors. This transaction has no impact on the Group's income statement.

vi. Agreement with Aegeon Group as partner for several insurance services

On 3 July 2018, the Group announced that it had reached an agreement with the Aegon Group, pursuant to which it will be the partner in Spain for the life-insurance business and several branches of general insurance. Given such agreement, and the perimeter under which it will be materialised, are subject to various conditions including the termination of the current alliance between Banco Popular and its current partner, it is not possible to estimate when these transactions will be closed. These transactions are not expected to have a significant impact on the Group's income statement.

vii. Agreement with Santander Asset Management

Acquisition 50% SAM Investment Holdings Limited

On 16 November 2016, after the agreement with Unicredit Group on 27 July 2016 to integrate Santander Asset Management, and Pioneer Investments was abandoned, the Group announced that it had reached an agreement with Warburg Pincus ("**WP**") and General Atlantic ("**GA**") under which Santander acquired 50% of SAM Investment Holdings Limited., at 22 December 2017.

The Group disbursed a total amount of EUR 545 million and assumed financing of EUR 439 million, with the business combination generating a goodwill of EUR 1,173 million and EUR 320 million of "intangible assets - contracts and relationships with customers" identified in the purchase price allocation, without other value adjustments to net assets of the business. Likewise, the market valuation of the previous participation held did not have an impact on the Group's income statement.

Considering that the main activity of the business is asset management, the main part of its activity are recorded off balance sheet. The main net assets acquired, in addition to the aforementioned intangible assets, were net deposits in credit institutions (EUR 181 million) and net tax assets (EUR 176 million). Given their nature, the fair value of these assets and liabilities do not differ from the book value recorded.

The Group has closed its assessment exercise of assets acquired and liabilities assumed at fair value during the year 2018 without modification with respect to what was recorded at the end of 2017.

Sale participation Allfunds Bank, S.A.

As part of the transaction, which consists in the acquisition of 50% of SAM Investment Holdings Limited, that was not owned by the Group, Santander, WP and GA agreed to explore different alternatives for the sale of its stake in Allfunds Bank, S.A. ("**Allfunds Bank**"), including a possible sale or a public offering. On 7 March 2017, the Bank announced that together with our partners in Allfunds Bank we had reached an agreement for the sale of 100% of Allfunds Bank to funds affiliated with Hellman & Friedman, a leading private equity investor, and GIC, Singapore's sovereign wealth fund.

On 21 November 2017 the Group announced the closing of the sale by the Bank and its partners of 100% of Allfunds Bank's capital, obtaining an amount of EUR 501 million from the sale of its 25% stake in Allfunds Bank, resulting in gains net of tax of EUR 297 million, which were recognised as "Gains or losses on disposal of non-financial assets and investments, net", within the statement of profit or loss.

viii. Purchase of the shares to DDFS LLC in Santander Consumer USA Holding Inc. (SCUSA)

On 2 July 2015, the Group announced that it had reached an agreement to purchase the 9.65% ownership interest held by DDFS LLC in SCUSA.

On 15 November 2017, after having agreed on some modifications to the original agreement and having obtained the required regulatory authorizations, the Group completed the acquisition of the aforementioned 9.65% of SCUSA shares for a total sum of USD 942 million (EUR 800 million), which have caused a decrease of EUR 492 million in the non-controlling interests balance and another reduction to reserves of EUR 307 million.

ix. Agreement with Banque PSA Finance

The Group, through its 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 2014 for the transaction of the vehicle and insurance financing business in twelve European countries. Pursuant to the terms of the agreement, the Group will finance this business, under certain circumstances and conditions, from the date on which the transaction is completed.

In January 2015 the related regulatory authorisations to commence activities in France and the United Kingdom were obtained and, accordingly, on 2 and 3 February 2015 the Group acquired 50% of Société Financière de Banque – SOFIB (actually PSA Banque France) and PSA Finance UK Limited for EUR 462 million and EUR 148 million, respectively.

On 1 May 2015, PSA Insurance Europe Limited and PSA Life Insurance Europe Limited (both insurance companies with registered office in Malta) were incorporated, in which the Group contributed 50% of the share capital, amounting to EUR 23 million. On 3 August, the Group acquired a full ownership interest in PSA Gestão - Comércio E Aluguer de Veiculos, S.A. (actually Santander Consumer Services, S.A. and a company with registered office in Portugal) and the loan portfolio of the Portuguese branch of Banque PSA Finance for EUR 10 million and EUR 25 million, respectively. On 1 October, PSA Financial Services Spain, E.F.C., S.A. (a company with registered office in Spain) was incorporated, in which the Group contributed EUR 181 million (50% of the share capital). (This company owns the 100% of the share capital of PSA Finance Suisse which is domiciled in Switzerland).

During 2016, the agreement obtained the necessary authorizations, by the regulators, to start activities in the rest of the countries covered by the framework agreement (Italy, the Netherlands, Austria, Belgium, Germany, Brazil and Poland). The Group's disbursement during 2016 amounted to EUR 464 million to reach a 50% stake in the capital of each of the structures created in each geography, with the exception of PSA finance Arrendamento Mercantil SA (actually Distribuidora de Títulos e Valores Mobiliários S.A.) where 100% of capital is acquired.

During 2016 the new businesses acquired have contributed EUR 79 million to the Group's profit. Had the business combination taken place on 1 January 2016, the profit contributed to the Group in 2016 would have been approximately EUR 118 million.

x. Metrovacesa agreement - Merlin

On 21 June 2016, Banco Santander hereby reached an agreement with Merlin Properties, SOCIMI, S.A., together with the other shareholders of Metrovacesa, S.A., for the integration in Merlin group, following the total spin-off of Metrovacesa, S.A., of Metrovacesa, S.A. property rental asset business in Merlin Properties, SOCIMI, S.A. and Metrovacesa, S.A. residential rental business in Metrovacesa, S.A. current subsidiary, Testa Residencial SOCIMI, S.A. (before, Testa Residencial, S.L.) The other assets of Metrovacesa, S.A. 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, S.A.

On 15 September 2016, the general meeting of shareholders of Merlin Properties, SOCIMI, S.A. and Metrovacesa, S.A. took place and the transaction was approved.

Subsequently, on 20 October 2016, the deed of total division of Metrovacesa, S.A. was granted in favour of the mentioned companies, and such deed was filed in the Commercial Register on 26 October 2016.

As a result of the integration, Santander Group has increased its participation to 21.95% of the equity capital of Merlin Properties, SOCIMI, S.A., 46.21% of direct participation in the equity capital of Testa Residencial, SOCIMI, S.A. and 70.27% in Metrovacesa Promoción y Arrendamiento, S.A.

The main impacts on the consolidated Group's balance of this division have been; decrease of EUR 3,800 million in real estate investment, decrease of EUR 621 million under minority interests and an increase in the heading of investments in joint ventures and associates participation of the businesses received in the associates Merlín Properties and Testa Residencial, of EUR:1,168 and 307 million, respectively.

Capital Increases

At 31 December 2015 the Bank's share capital consisted of 14,434,492,579 shares with a total par value of EUR 7,217 million.

On 4 November 2016, a capital increase of EUR 74 million was made, through which the Santander Dividendo Elección scrip dividend scheme took place, whereby 147,848,122 shares were issued (1.02% of the share capital).

At 31 December 2016 the Bank's share capital consisted of 14,582,340,701 shares with a total par value of EUR 7,291 million.

As a result of the acquisition of Banco Popular Español, S.A.U. described in Note 3, and in order to strengthen and optimize the Bank's equity structure to provide adequate coverage of the acquisition, the Group, on 3 July 2017, reported on the agreement of the executive committee of Banco Santander, S.A. to increase the capital of the Bank by EUR 729 million by issuing and putting into circulation 1,458,232,745 new ordinary shares of the same class and series as the shares currently in circulation and with preferential subscription rights for the shareholders.

The issue of new shares was carried out at a nominal value of fifty euro cents (EUR 0.50) plus a premium of EUR 4.35 per share, so the total issue rate of the new shares was EUR 4.85 per share and the total effective amount of the capital increase (including nominal and premium) of EUR 7,072 million.

Each outstanding share had been granted a preferential subscription right during the preferential subscription period that took place from 6 to 20 July 2017, where 10 preferential subscription rights were required to subscribe 1 new share.

On 7 November 2017, a capital increase of EUR 48 million was made, through which the Santander Dividendo Elección scrip dividend scheme took place, whereby 95,580,136 shares were issued (0.6% of the share capital).

At 31 December 2017 the Bank's share capital consisted of 16,136,153,582 shares with a total par value of EUR 8,068 million.

On 7 November 2018, a capital increase of EUR 50 million was made, through which the Santander Dividendo Elección scrip dividend scheme took place, whereby 100,420,360 shares were issued (0.62% of the share capital).

Therefore, the Bank's new capital consists of EUR 8,118 million at 31 December 2018, represented by 16,236,573,942 shares of EUR 0.50 of nominal value each one and all of them from a unique class and series.

The Bank's shares are listed on the Spanish Stock Market Interconnection System and on the New York, London, Mexico and Warsaw Stock Exchanges, and all of them have the same features and rights. Santander shares are listed on the London Stock Exchange under Crest Depository Interest (CDI's), each CDI representing one Bank's share. They are also listed on the New York Stock Exchange under American Depositary Receipts (BDRs), each BDR representing one share. During

2018 and the beginning of 2019 the number of markets where the Bank is listed has been reduced; the Bank's shares has been delisted from Buenos Aires, Milan, Lisboa and Sao Paulo's markets.

At 31 December 2018, the only shareholders listed in the Bank's shareholders register with ownership interests of more than 3%¹ were State Street Bank & Trust Company (13.09%), The Bank of New York Mellon Corporation (8.85%), Chase Nominees Ltd. (6.69%), EC Nominees Limited (3.96%) and BNP Paribas (3.79%).

However, the Bank considers that these ownership interests are held in custody on behalf of third parties and that none of them, as far as the Bank is aware, has an ownership interest of more than 3% of the Bank's share capital² or voting power.

As of 31 December 2018, the shareholders of the Bank did not have owners of shares resident in tax havens with a participation of more than 1% of the share capital.

- (1) The threshold stipulated in Royal Decree 1362/2007 of 19 October, which implemented the Spanish Securities Market Act 24/1988 of 28 July defining the concept of significant holding.
- (2) The website of the *Comisión Nacional del Mercado de Valores* (www.cnmv.es) contains a notice of significant holding published by Blackrock, Inc. on 9 August 2017, in which it notifies an indirect holding in the voting rights attributable to Bank shares of 5.585%, plus a further stake of 0.158% held through financial instruments. During 2018, Blackrock Inc. informed the Spanish CNMV of the following movements regarding its voting rights in the Bank: 23 April 2018, reduction below 5%, and 8 May 2018, increase above 5%. However, according to the Bank's shareholder register, Blackrock, Inc did not hold more than 3% of the voting rights on that date, or on 31 December 2018.

Other Material Events

Recent Events

On 6 February 2019, the Group announced that it had completed the placement of preferred securities contingently convertible into newly issued ordinary shares of the Bank, excluding preemptive subscription rights and for a nominal value of USD 1,200,000,000 (EUR 1,052,000,000) (the "**Issue**" and the "**CCPS**"). The CCPS were issued at par and its remuneration has been set at 7.50% on an annual basis for the first five years. The payment of the remuneration of the CCPS is subject to certain conditions and to the discretion of the Bank. After that, it will be reviewed every five years by applying a margin of 498.9 basis points on the 5-year Mid-Swap Rate.

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.*

Description of businesses

The segment reporting is based on financial information presented to the chief operating decision maker, which excludes certain items included in the statutory results that distort year-on-year comparisons and are not considered for management reporting purposes. This financial information (underlying basis) is computed by adjusting reported results for the effects of certain gains and losses (e.g.: capital gains, write-downs, impairment of goodwill, etc.). These gains and losses are items that management and investors ordinarily identify and consider separately to better understand the underlying trends in the business (see also note 52.c to the Group financial statements).

The Group has aligned the information in this operating segment section in a manner consistent with the underlying information used internally for management reporting purposes and with that presented throughout the Group's other public documents.

The Group executive committee has been determined to be the chief operating decision maker for the Group. The Group's operating segments reflect the organisational and management structures. The Group executive committee reviews the internal reporting based on these segments in order to assess performance and allocate resources.

The segments are differentiated by the geographic area where profits are earned, and by type of business. The financial information of each reportable segment is prepared by aggregating the figures for the Group's various geographic areas and business units. The information relates to both the accounting data of the units integrated in each segment and that provided by management information systems. In all cases, the same general principles as those used in the Group are applied.

The businesses included in each of the business areas in this report and the accounting principles under which their results are presented here may differ from the businesses included and accounting principles applied in the financial information separately prepared and disclosed by our subsidiaries (some of which are publicly listed) which in name or geographical description may seem to correspond to the business areas covered in this report. Accordingly, the results of operations and trends shown for our business areas in this document may differ materially from those of such subsidiaries.

During 2018, certain changes took place in the organisational structure of the Group, which led to a change in segment reporting:

Banco Popular's financial results and balance sheet have been allocated to the corresponding segments. The affected segments are Spain, Portugal and Real estate activity Spain.

The Group acquired the stake of Santander Asset Management that was not already owned by the Group. Following this change in the consolidation perimeter, the Group decided to integrate the acquired Asset Management business, the International Private Banking business and the corporate unit of Private Banking, which were previously reported within the Retail Banking segment, into a new segment identified as Wealth Management.

Additionally, there has been an adjustment to the perimeter of the Global Customer Relationship Model, between the Retail Banking segment and the Santander Corporate & Investment Banking segment, as well as other minor changes relating to the Real estate activity Spain.

The Group restated the corresponding information of earlier periods to reflect these changes in the structure of its internal organisation.

The operating business areas are structured in two levels:

A. Geographic businesses

This primary level of segmentation, which is based on the Group's management structure, comprises five reportable 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: which comprises all the business activities carried out in the region. Detailed financial information is provided on Spain, Portugal, Poland and Santander Consumer Finance (which incorporates all the region's business, including the three countries mentioned herewith).

United Kingdom: includes the business activities carried out by the various Group units and branches present in the UK.

Latin America: includes all the financial activities carried out by the Group through its banks and subsidiary banks in the region. Detailed information is provided on Brazil, Mexico, Chile, Argentina, Uruguay, Peru and Colombia.

The US: includes the holding company (SHUSA) and the businesses of Santander Bank, Santander Consumer USA, Banco Santander Puerto Rico, the specialised unit Banco Santander International and the New York branch.

B. Global businesses

At this secondary level of segment reporting, the Group is structured into Retail Banking, Corporate & Investment Banking, Wealth Management and Real Estate Activity Spain.

Retail Banking: this covers all customer banking businesses, including consumer finance, except those of corporate banking, which are managed through SCIB, and asset management and private banking, which are managed by Wealth Management. The results of the hedging positions in each country are also included, conducted within the sphere of each one's assets and liabilities committee.

Santander Corporate & Investment Banking (SCIB) (formerly Santander Global Corporate Banking): This business reflects revenue from global corporate banking, investment banking and markets worldwide including treasuries managed globally (always after the appropriate distribution with Retail Banking customers), as well as equities business.

Wealth Management: Includes the asset management business (Santander Asset Management), the corporate unit of Private Banking and International Private Banking in Miami and Switzerland.

Real estate activity Spain includes loans and advances to customers and foreclosed assets of customers who are mainly involved in real estate development and who have a specialised management model and the assets of the former real estate fund (Santander Banif Inmobiliario).

In addition to these operating units, which report by geographic area and businesses, the Group continues to maintain the area of Corporate Centre, that includes the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's assets and liabilities committee, as well as management of liquidity and of shareholders' equity via issuances.

As the Group's holding entity, this area manages all capital and reserves and allocations of capital and liquidity with the rest of businesses. It also incorporates amortisation of goodwill but not the costs related to the Group's central services (charged to the areas), except for corporate and institutional expenses related to the Group's functioning.

The results of our business areas presented below are provided on the basis of underlying results only and generally. Including the impact of foreign exchange rate fluctuations. However, for a better understanding of the actual changes in the performance of our business areas, we also provide and discuss the year-on-year changes to our results excluding such impact.

Summary income statement of the Group's main business areas

2018. Main items of the underlying income statement

EUR million

Geographic businesses	Net interest income	Net fee income	Total income	Net operating income	Profit before tax	Underlying attributable profit to the parent
Continental Europe	10,107	4,419	15,881	7,604	5,501	3,642
Spain	4,360	2,631	7,894	3,414	2,325	1,738
Santander Consumer Finance	3,723	798	4,610	2,625	2,140	1,296
Poland	996	453	1,488	851	555	298
Portugal	858	377	1,344	702	688	480
Other	170	162	545	11	(207)	(170)
United Kingdom	4,136	1,023	5,420	2,426	1,926	1,362
Latin America	15,654	5,253	21,201	13,204	7,971	4,228
Brazil	9,758	3,497	13,345	8,863	5,203	2,605
Mexico	2,763	756	3,527	2,064	1,230	760
Chile	1,944	424	2,535	1,491	1,121	614
Argentina	768	448	1,209	460	185	84
Other	421	128	585	326	232	165
US	5,391	859	6,949	3,934	1,117	552
Operating areas	35,288	11,554	49,452	27,168	16,515	9,785
Corporate Centre	(947)	(69)	(1,028)	(1,523)	(1,739)	(1,721)
Total Group	34,341	11,485	48,424	25,645	14,776	8,064

Global businesses

Retail Banking	32,522	8,946	42,832	23,577	13,408	7,793
Santander Corporate & Investment Banking	2,378	1,512	5,087	2,982	2,657	1,705
Wealth Management	420	1,097	1,543	813	797	528
Real estate activity Spain	(33)	(0)	(10)	(204)	(347)	(242)
Operating areas	35,288	11,554	49,452	27,168	16,515	9,785
Corporate Centre	(947)	(69)	(1,028)	(1,523)	(1,739)	(1,721)
Total Group	34,341	11,485	48,424	25,645	14,776	8,064

2017. Main items of the underlying income statement

EUR million

Geographic businesses	Net interest income	Net fee income	Total income	Net operating income	Profit before tax	Underlying attributable profit to the parent
Continental Europe	9,230	9,230	14,417	6,754	4,899	3,202
Spain	3,784	2,333	6,860	2,820	2,002	1,439
Santander Consumer Finance	3,571	878	4,484	2,506	2,083	1,254
Poland	928	443	1,419	814	581	300
Portugal	788	360	1,245	630	574	435
Other	160	153	409	(16)	(340)	(225)
United Kingdom	4,363	1,003	5,716	2,855	2,184	1,498
Latin America	15,984	5,494	22,519	13,799	7,497	4,297

Brazil	10,078	3,640	14,273	9,193	4,612	2,544
Mexico	2,601	749	3,460	2,078	1,134	710
Chile	1,907	391	2,523	1,498	1,059	586
Argentina	985	596	1,747	777	526	359
Other	413	117	516	252	165	97
US	5,569	971	6,959	3,761	892	408
Operating areas	35,146	11,635	49,611	27,170	15,473	9,405
Corporate Centre	(851)	(38)	(1,220)	(1,696)	(1,923)	(1,889)
Total Group	34,296	11,597	48,392	25,473	13,550	7,516

Global businesses

Retail Banking	32,339	9,306	42,904	23,228	12,555	7,456
Santander Corporate & Investment Banking	2,442	1,627	5,503	3,474	2,712	1,780
Wealth Management	404	700	1,212	684	667	478
Real estate activity Spain	(38)	2	(8)	(217)	(461)	(308)
Operating areas	35,146	11,635	49,611	27,170	15,473	9,405
Corporate Centre	(851)	(38)	(1,220)	(1,696)	(1,923)	(1,889)
Total Group	34,296	11,597	48,392	25,473	13,550	7,516

Geographic businesses

(a) Continental Europe

Strategy

In an environment of historically low interest rates, the Group carried out a strategy that enabled us to improve customer loyalty, increase activity, customer revenue growth, cost control and enhance credit quality.

Additionally, 2018 was a key year in Continental Europe due to the resizing that followed the new strategic business integration into the Group.

In Portugal, the Bank completed the operational and technological integration of Banco Popular Portugal. After this acquisition, Santander Totta became the largest privately owned bank in terms of assets and loans and advances to customers in the domestic activity.

In Spain, the Bank strengthened its position after the acquisition of Banco Popular, whose integration is progressing as scheduled. The legal integration has been completed and the central and territorial services are already unified. Of note, good performance of the first joint commercial offer (1|2|3 Profesionales account) which had accounted more than 160,000 customers by the end of the year, well above the initial target.

On the other hand, progress in the management of Banco Popular's alliances in order to recover strategic business and ease its integration, focusing on enhancing the customer experience. Of note was the sale of 49% of WiZink stake to Värde Partners, Inc and the recovering of Banco Popular card business. At the same time, we recovered its ATM business.

In Poland, the recently named Santander Bank Polska (former BZ WBK) strengthened its position in the country following the acquisition of the retail, SMEs and private banking business of DBP.

Lastly, Continental Europe benefited from the creation of the Santander Wealth Management global unit at the end of 2017 (including Asset Management and Private Banking) in order to offer an improved and wider range of funds. In Private Banking, we are developing a new proposition, which intends to be the leader in Europe, supported by the collaboration of the countries where the Group operates.

The Group continues to be immersed in its cultural transformation in the region. Santander was awarded with the Top Employers Europe 2018 certification.

As a result, the number of loyal customers and digital customers rose (31% and 33% respectively), increasing in all countries of this area.

Activity

Loans and advances to customers rose almost 1%. Excluding reverse repurchase agreements and the exchange rate impact, gross loans and advances to customers increased 2% mainly driven by Santander Consumer Finance and Poland (partially due to the integration of DBP). Spain and Portugal decreased in a deleveraging market environment, where consumer loans and SMEs recorded a better evolution than large companies and institutions.

Customer deposits were 5% higher year-on-year, both in euros as well as excluding repurchase agreements and the exchange rate impact, due to the increase in demand deposits in all units, which offset lower time deposits.

Of note was the performance of Spain, where demand deposits amounted to more than EUR 14,000 million (+8%, driven by the 1|2|3 loyalty strategy), while time deposits decreased more than EUR 12,000 million (-20%) due to reduction of expensive deposits (partially from Banco Popular), as part of our strategy to reduce the cost of funding.

Including mutual funds (-5%), customer funds grew 3%.

Results

Underlying attributable profit amounted to EUR 3,642 million in the year (39% of the Group's operating areas). Underlying RoTE was 10.64%.

Compared to 2017, underlying attributable profit rose 14%, without having any exchange rate impact. The evolution of profit and the main P&L lines were affected by the integration of Banco Popular in Spain and Portugal in June 2017.

By lines:

Total income increased 10%, driven by all the main items. Net interest income rose 10% with a positive evolution in all units, mainly Spain and Portugal. Net fee income was 6% higher, especially in Spain due to transactionality. The only decrease was recorded in Santander Consumer Finance due to lower income from insurance. Gains on financial transactions rose 47% (accounting for just 6% of total income), mainly driven by Spain's performance.

Administrative expenses and amortisations up 8%, as Spain was very affected by Popular's integration. The ongoing measures to optimise costs, as part of the integration process, were reflected in the first synergies.

Net loan-loss provisions were 26% higher due to the perimeter, as credit quality improved: the NPL ratio decreased 57 bps year- on-year to 5.25%, with a positive performance in all commercial units. The coverage ratio fell slightly to 52%.

Other gains (losses) and provisions recorded a loss of EUR 704 million (EUR -746 million in 2017), with an uneven performance by units.

Continental Europe - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	10,107	9,230	9.5	9.8
Net fee income	4,419	4,167	6.1	6.2
Gains (losses) on financial transactions ^A	916	625	46.4	47.0
Other operating income	440	394	11.5	11.8
Total income	15,881	14,417	10.2	10.4
Administrative expenses and amortisations	(8,278)	(7,662)	8.0	8.3
Net operating income	7,604	6,754	12.6	12.9

Net loan-loss provisions	(1,399)	(1,109)	26.2	26.4
Other gains (losses) and provisions	(704)	(746)	(5.7)	(5.6)
Profit before tax	5,501	4,899	12.3	12.6
Tax on profit	(1,461)	(1,315)	11.1	11.3
Profit from continuing operations	4,040	3,584	12.7	13.1
Net profit from discontinued operations	—	—	—	—
Consolidated profit	4,040	3,584	12.7	13.1
Non-controlling interests	397	382	4.1	4.2
Underlying attributable profit to the parent	3,642	3,202	13.7	14.1
Balance sheet				
Loans and advances to customers	383,020	380,080	0.8	1.0
Cash, central banks and credit institutions	142,813	114,966	24.2	24.2
Debt instruments	89,030	99,728	(10.7)	(10.6)
Other financial assets	36,012	39,918	(9.8)	(9.8)
Other asset accounts	31,011	43,429	(28.6)	(28.6)
Total assets	681,887	678,122	0.6	0.7
Customer deposits	369,730	352,548	4.9	5.1
Central banks and credit institutions	158,761	159,794	(0.6)	(0.8)
Marketable debt securities	62,018	61,214	1.3	1.5
Other financial liabilities	37,142	45,919	(19.1)	(19.1)
Other liabilities accounts	14,827	17,308	(14.3)	(14.2)
Total liabilities	642,479	636,784	0.9	1.0
Total equity	39,408	41,338	(4.7)	(4.4)
Pro memoria:				
Gross loans and advances to customers ^B	390,794	384,088	1.7	1.9
Customer funds	436,913	425,301	2.7	2.9
Customer deposits ^C	366,351	351,282	4.3	4.5
Mutual funds	70,562	74,020	(4.7)	(4.5)
Ratios (%) and operating data				
Underlying return on tangible equity ("RoTE")	10.64	9.82	0.82	
Efficiency ratio	52.1	53.1	(1.0)	
NPL ratio	5.25	5.82	(0.57)	
NPL coverage	52.2	54.4	(2.2)	
Number of employees	67,572	67,922	(0.5)	
Number of branches	5,998	6,298	(4.8)	

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(b) Spain

Strategy

In 2018, the integration of Banco Popular progressed as scheduled, the central services and regional teams unified and a single technological platform put in place where we started the migration of customers. Progress was also made in managing of Banco Popular's alliances in order to recover strategic businesses.

Loyal customers rose 40%, with double-digit rises in the main transactional drivers: cards turnover rose 14% year-on-year; points of sale, +11% with a market share gain of 253 bps year-on-year; insurance, +30% in new protection insurance premiums and growth via digital means due to the improved process of online approvals.

The SMEs and companies segment was also very dynamic: commercial activity increased 17%, largely from international business (+10%), backed by trade corridors and more staffing.

In 2018 SCIB continued to be the leader in lending to large companies in Spain, according to Dealogic. Of note were the more than 80 syndicated loans. On the other hand, Santander Private Banking continued to be the market leader and it was named Best Private Bank in Spain by The Banker magazine.

Digital customers increased 51%, backed by the digital transformation, to 4.8 million and the weight of sales via digital channels rose to c.30% in December 2018. Regarding our digital transformation, of note were the following initiatives:

- Implementation of Santander Personal, our tailored remote management. We doubled our remote managers, we commercialised all our products through this channel and incorporated distinctive customer relation items, such as video calls through the app or chat with the manager.
- Launch of Smartbank, new relationship model with the more than 600,000 millennial customers, offering them tailored financial and non-financial proposals.
- Launch of SO:FIA, an investment platform for the integral management of shares, mutual and pension funds.
- New web for companies, fully renovated as a differential feature in the sector: online global position, one click remittances, totally integrated payment and transfer suite, international business, pre-approved loans, etc., to strengthen our competitive advantage in SMEs.
- Launch of Santander OnePay Fx, a blockchain-based international payment service which cuts transfer time by the same day or by the next day.
- Boost in consumer credit thanks to increased sales in pre-approved credit via ATMs, going from a pure servicing model to a more commercial one.

Regarding the improvements on customer experience and attention, we continue to update the branch distribution network with new models, such as Smart Red (556 branches), and we opened the first Work Café, which integrates co-working space, a coffee shop and bank, focusing on the customer experience and digital capabilities.

Lastly, in 2018 our contract centre was awarded the CRC ORO for excellent Customer Service in Spain.

Activity

Loans and advances to customers decreased 6%. In gross terms, excluding reverse repurchase agreements, they fell 4% in euros compared to 2017 because of the fall in large companies and institutions, which offset the growth in retail banking due to the rise in private banking (EUR 400 million) and SMEs and companies loans (EUR 1,800 million).

Customer deposits increased 1% compared to 2017. Demand deposits rose 8%, driven by the 1|2|3 account (up EUR 5,300 million in the year), which offset the decrease in time deposits down from 41 bps in the fourth quarter of 2017 to 20 bps in the fourth quarter of 2018.

Customer funds remained stable including the 5% decrease in mutual funds. In addition, EUR 14,142 million are managed in pension funds, 6% lower than in 2017.

Results

Underlying attributable profit amounted to EUR 1,738 million (17% of the Group's total operating areas) and underlying return on tangible equity ("**RoTE**") was 10.81%.

Compared to 2017, underlying attributable profit was 21% higher:

Total income rose 15%, spurred by net interest income (+15%) reflecting a sustained improvement of customer spreads due to the lower cost of funding. Net fee income was 13% higher, thanks to increased transactions. Of note was income from servicing, mutual funds and insurance. Gains on financial transactions rose 28%, favoured by the management of ALCO portfolios.

Administrative expenses and amortisations were 11% higher. However, the first synergies from the optimisation measures carried out as part of the integration process are starting to materialise.

Net loan-loss provisions rose 21%. Nevertheless, the NPL ratio fell to 6.19% in December 2018 from 10.52% in June 2017, when Banco Popular was incorporated, and the cost of credit was just 33 bps.

Other gains (losses) and provisions increased their losses in the year, partly due to provisions related to foreclosed assets.

Year-on-year growth rates of profit and the main P&L lines were impacted by the incorporation of Popular.

Spain - financial results (figures in EUR million)

Underlying income statement	2018	2017	%
Net interest income	4,360	3,784	15.2
Net fee income	2,631	2,333	12.8
Gains (losses) on financial transactions ^A	560	436	28.4
Other operating income	343	307	11.8
Total income	7,894	6,860	15.1
Administrative expenses and amortisations	(4,480)	(4,040)	10.9
Net operating income	3,414	2,820	21.1
Net loan-loss provisions	(728)	(603)	20.7
Other gains (losses) and provisions	(362)	(215)	68.3
Profit before tax	2,325	2,002	16.1
Tax on profit	(586)	(546)	7.3
Profit from continuing operations	1,739	1,456	19.4
Net profit from discontinued operations	—	—	—
Consolidated profit	1,739	1,456	19.4
Non-controlling interests	1	17	(96.8)
Underlying attributable profit to the parent	1,738	1,439	20.8
Balance sheet			
Loans and advances to customers	206,776	220,550	(6.2)
Cash, central banks and credit institutions	117,215	91,395	28.3
Debt instruments	60,720	76,806	(20.9)
Other financial assets	32,727	36,710	(10.9)
Other asset accounts	16,644	26,348	(36.8)
Total assets	434,082	451,809	(3.9)
Customer deposits	255,402	252,866	1.0
Central banks and credit institutions	93,854	100,727	(6.8)
Marketable debt securities	24,608	26,286	(6.4)
Other financial liabilities	35,054	43,529	(19.5)
Other liabilities accounts	8,878	11,230	(20.9)
Total liabilities	417,796	434,639	(3.9)
Total equity	16,286	17,170	(5.1)
Pro memoria:			
Gross loans and advances to customers ^B	209,630	218,607	(4.1)
Customer funds	315,351	316,784	(0.5)
Customer deposits ^C	253,946	251,999	0.8
Mutual funds	61,406	64,785	(5.2)
Ratios (%) and operating data			
Underlying RoTE	10.81	10.31	0.51
Efficiency ratio	56.8	58.9	(2.1)
NPL ratio	6.19	6.32	(0.13)
NPL coverage	45.0	46.8	(1.8)
Number of employees	32,313	33,271	(2.9)
Number of branches	4,366	4,485	(2.7)

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(c) *Santander Consumer Finance*

Strategy

SCF is Europe's consumer finance market leader, with a presence in 15 European countries and more than 130,000 associated points-of-sale (auto dealers and shops). It also has a significant number of finance agreements with auto and motorbike manufacturers and retail distribution groups.

In 2018, SCF continued to gain market share, underpinned by a solid business model: highly diversified by countries with a critical mass in key products, more efficient than competitors and a risk control and recovery system that enables to maintain high credit quality.

On the other hand, we continued to sign and develop new agreements, both with retail distributors as well as producers, seeking to help them in the commercial transformation process and thus increase the value proposition for the final client.

Management focused on:

Maximising efficiency of capital, in a competitive environment characterised by the entry of new competitors, an excess of liquidity in markets and moderate GDP growth.

Remaining the leaders in auto finance and growing consumer credit by extending agreements with the main dealers.

Strengthening digital channels and helping our partners through their digital transformation. SCF launched two core projects: the e-commerce platform, to help our partners create, manage and improve their business; and digital interaction, which optimises the relationship between agents and the customers.

The plan to integrate the retail networks of SC Germany progressed as scheduled.

Of note, SCF was recognised as Top Employer Europe 2018 in Austria, Belgium, Germany, Italy, The Netherlands and Poland.

Activity

The stock of loans and advances to customers rose 6% compared to 2017. Gross loans excluding reverse repurchase agreements and the impact of exchange rates, also grew 6%. Almost all country units grew their business, more than 70% of lending is in countries with the highest rating and Germany and the Nordics account for 52% of the portfolio.

New lending increased 7% compared to 2017, growth in almost all countries driven by commercial agreements in several of them. Of note were the rises in France, Poland, the Nordics and Italy.

SCF is benefiting from having banking licenses in most of the countries in which it operates, enabling it to take deposits in many of them. It also has a high diversification of funding sources, with a good structure to access markets through securitisations and other issues.

This enabled customer deposits to be a product that sets Santander apart from its competitors (above EUR 36,000 million) coupled with the high capacity to access wholesale funding.

Results

Underlying attributable profit was EUR 1,296 million in 2018 (13% of the Group's total operating areas) and underlying RoTE was 15.86%.

Compared to 2017, underlying attributable profit was 3% higher in euros and 4% excluding the exchange rate impact, as follows:

Total income rose 3%, driven by net interest income (+5%) due to higher volumes and lower funding costs. Net fee income declined 9%, largely due to the adaptation of insurance business to the new environment.

Administrative expenses and amortisations increased slightly (+1%) and the efficiency ratio improved to 43.1%.

Net loan-loss provisions increased 36%, because of the positive impact in 2017 of the sale of foreclosed portfolios and other releases. The cost of credit remained low for this type of business (0.38%), underscoring the

good performance of portfolios. The NPL ratio was 2.29%, 21 bps lower year-on-year, and the coverage ratio increased to 106% (101% in December 2017).

Other gains (losses) and provisions amounted to EUR-125 million in 2018, 21% lower than in 2017 (in that year SCF recorded provisions for possible litigation and customers' complaints).

The largest contribution to the underlying attributable profit came from Germany (EUR 349 million), the Nordic countries (EUR 331 million) and Spain (EUR 246 million).

Santander Consumer Finance - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	3,723	3,571	4.3	4.9
Net fee income	798	878	(9.1)	(9.0)
Gains (losses) on financial transactions ^A	55	3	—	—
Other operating income	34	32	6.8	8.3
Total income	4,610	4,484	2.8	3.3
Administrative expenses and amortisations	(1,985)	(1,978)	0.4	0.9
Net operating income	2,625	2,506	4.8	5.3
Net loan-loss provisions	(360)	(266)	35.4	36.1
Other gains (losses) and provisions	(125)	(157)	(20.4)	(20.5)
Profit before tax	2,140	2,083	2.8	3.3
Tax on profit	(577)	(588)	(1.9)	(1.4)
Profit from continuing operations	1,564	1,495	4.6	5.2
Net profit from discontinued operations	—	—	—	—
Consolidated profit	1,564	1,495	4.6	5.2
Non-controlling interests	268	241	10.9	10.9
Underlying attributable profit to the parent	1,296	1,254	3.4	4.1

Balance sheet

Loans and advances to customers	95,366	90,091	5.9	6.1
Cash, central banks and credit institutions	6,096	4,895	24.5	24.9
Debt instruments	3,325	3,220	3.2	4.0
Other financial assets	31	22	44.8	45.2
Other asset accounts	2,890	3,508	(17.6)	(17.3)
Total assets	107,708	101,735	5.9	6.2
Customer deposits	36,579	35,443	3.2	3.5
Central banks and credit institutions	24,966	23,342	7.0	7.2
Marketable debt securities	31,281	28,694	9.0	9.3
Other financial liabilities	771	996	(22.6)	(22.4)
Other liabilities accounts	3,520	3,637	(3.2)	(3.0)
Total liabilities	97,117	92,112	5.4	5.7
Total equity	10,591	9,623	10.1	10.5

Pro memoria:

Gross loans and advances to customers ^B	97,707	92,431	5.7	6.0
Customer funds	36,531	35,398	3.2	3.5
Customer deposits ^C	36,531	35,396	3.2	3.5
Mutual funds	—	2	(100.0)	(100.0)

Ratios (%) and operating data

Underlying RoTE	15.86	16.44	(0.58)
Efficiency ratio	43.1	44.1	(1.1)
NPL ratio	2.29	2.50	(0.21)
NPL coverage	106.4	101.4	5.0

Number of employees	14,865	15,131	(1.8)
Number of branches	438	546	(19.8)

A. Includes exchange differences.
B. Excluding reverse repos.
C. Excluding repos.

(d) *Poland*

Strategy

The retail and SMEs businesses acquired from Deutsche Bank Polska was successfully integrated into Santander Bank Polska in November. Almost 400,000 customers were migrated. As a result, Santander Bank Polska reinforced its position as one of the largest financial entities in Poland. For the first time in the Polish banking system, the legal and operating merger, as well as the branch rebranding were accomplished in just one weekend.

The Bank continued its strategy to become the bank of first choice, anticipating and responding to customer expectations.

The digital transformation continued during the year with the launch of mSignature, a mobile app authorisation tool as an inexpensive and secure alternative for SMS codes. The credit card and loan after-sale services were digitised. The Santander Internet service gives customers the option to amortise the entire loan or a portion.

Following the implementation of Apple Pay, which joined Google Pay, Garmin Pay, BLIK, HCE and Fitbit, already in place, Santander Bank Polska S.A. now offers six cashless payment methods.

At the end of 2017, the As I Want account was successfully launched and we already have more than one million accounts opened. It was recognised as the best account for young people in the financial portal money.pl.

Santander Bank Polska S.A. made significant headway in the implementation of agile methodology in the Retail Banking division. The following four tribes were established at the end of September 2018: Multichannel, Individual Customer, Risk and Consumer Engineering. The second and third rounds are underway in order to create the next tribes. This transformation project aims to speed up the delivery of innovative solutions and effectively analyse customer technology needs.

All these actions resulted in important awards for the Bank in Poland, notably Bank of the Year in Poland by The Banker and second place in the Banking Stars ranking (third in 2017). The Bank was the best in two categories: efficiency and stability. Also, it obtained the maximum score in the loans to total assets ratio, net loan to deposit ratio and fee income to total revenue ratio. The Bank also recorded the largest profit, RoE and RoA.

At the end of 2018, Santander Bank Polska had 1.8 million loyal customers (+30%), and 2.2 million digital customers (+5%) compared to 2017.

Activity

The increased activity in an environment of volume growth and the incorporation of DBP, resulted in higher loans and advances to customers (+27%) compared to 2017 in euros. In real terms and excluding reverse repos and the exchange rate impact, loans rose 30% backed by the target segments: SMEs (+59%), individuals (+37%, notably mortgages and cash loans), companies (+14%) and SCIB (+10%).

Customer deposits increased 38% year-on-year in euros. Excluding repos (repurchase agreements) and the exchange rate impact, deposits rose 36%, with double-digit growth in those from SMEs and companies as well as individuals, partly in order to increase the liquidity buffer ahead of the acquisition of Deutsche Bank Polska. Customer funds (including mutual funds) increased 32%.

Moreover, Santander Bank Polska launched the first European Medium Term Notes (EMTN) programme with EUR 500 million Eurobonds (three-year fixed price Mid Swap +77 bps). Santander SCIB acted as sole arranger and bookrunner.

Results

Underlying attributable profit of EUR 298 million in the year (3% of the Group's total operating areas), and underlying RoTE of 10.29%.

Compared to 2017, underlying attributable profit decreased 1% in euros as well as excluding the exchange rate impact, driven by:

Total income increased 5%, driven by net interest income (+7%) backed by larger volumes and price management in a low interest rate environment. Net fee income rose 2%, mainly from loans, cards and foreign currency, while the gain on financial transactions fell 15%.

Administrative expenses and amortisations rose 5% due to transformation projects and pressure on salaries.

Net loan-loss provisions were 17% higher, partly because of the sale of a non-performing loan portfolio in the first half of 2017. The cost of credit was 0.65% (0.62% in 2017). The NPL ratio improved to 4.28% (4.57% in December 2017).

Other gains (losses) and provisions recorded the impact of rebranding charges as well as those related to DBP's acquisition.

Poland – financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	996	928	7.3	7.4
Net fee income	453	443	2.2	2.3
Gains (losses) on financial transactions ^A	44	52	(15.4)	(15.3)
Other operating income	(4)	(3)	35.8	36.0
Total income	1,488	1,419	4.8	4.9
Administrative expenses and amortisations	(636)	(605)	5.2	5.3
Net operating income	851	814	4.5	4.7
Net loan-loss provisions	(161)	(137)	17.3	17.4
Other gains (losses) and provisions	(135)	(96)	40.0	40.2
Profit before tax	555	581	(4.4)	(4.3)
Tax on profit	(131)	(148)	(11.3)	(11.2)
Profit from continuing operations	424	432	(2.0)	(1.9)
Net profit from discontinued operations	—	—	—	—
Consolidated profit	424	432	(2.0)	(1.9)
Non-controlling interests	126	132	(4.8)	(4.7)
Underlying attributable profit to the parent	298	300	(0.7)	(0.6)
Balance sheet				
Loans and advances to customers	28,164	22,220	26.8	30.5
Cash, central banks and credit institutions	3,260	1,661	96.3	102.2
Debt instruments	10,570	6,786	55.8	60.4
Other financial assets	534	491	8.7	12.0
Other asset accounts	1,140	1,014	12.4	15.8
Total assets	43,669	32,171	35.7	39.8
Customer deposits	33,417	24,255	37.8	41.9
Central banks and credit institutions	2,163	952	127.2	134.0
Marketable debt securities	1,789	821	117.9	124.4
Other financial liabilities	558	523	6.8	10.0
Other liabilities accounts	809	684	18.3	21.8
Total liabilities	38,736	27,235	42.2	46.5
Total equity	4,933	4,936	(0.1)	2.9
Pro memoria:				
Gross loans and advances to customers ^B	29,033	22,974	26.4	30.1
Customer funds	35,554	27,803	27.9	31.7
Customer deposits ^C	31,542	23,903	32.0	35.9

Mutual funds	4,012	3,900	2.9	5.9
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Ratios (%) and operating data

Underlying RoTE	10.29	11.56	(1.27)
Efficiency ratio	42.8	42.6	0.1
NPL ratio	4.28	4.57	(0.29)
NPL coverage	67.1	68.2	(1.1)
Number of employees	12,515	11,572	8.1
Number of branches	611	576	6.1

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(e) *Portugal*

Strategy

The offer of products and services tailored to customer needs, focused on boosting loyalty, continued in 2018.

The strategy to transform the business model spurred growth in loyal and digital customers. Of note, in addition to World 1|2|3, was the development of new digital platforms such as the app Santander Empresas, mobile real-time push notifications and alerts for cards and accounts, card blocking services and credit card payments in instalments (PagaSimples).

In personal lending, CrediSimples (loan contracting exclusively through digital channels) already accounted for 28% of new lending (with that to loyal companies gaining significant market share).

Regarding customer funds, customer deposits grew above the market, gaining market share. The Bank launched Conta SIM, a simple and more digital account, with a basic offer of products and services for customers at the start of their working life or with lower income.

As at December 2018, Santander Totta had 752,000 loyal customers (+9% compared to 2017) and 734,000 digital customers (+32% year-on-year).

Santander Totta continued to be recognised for its activity. Of note: Best Bank in Portugal by Global Finance in 2018 and by World Finance as the Best Retail Bank in Portugal. Recently, it was also awarded Best Private Bank 2019 by Global Finance and Euromoney.

This commercial activity was developed during the operational and technological integration of Banco Popular, completed in October 2018.

Moreover, credit rating agencies upgraded their ratings throughout the year. In October, S&P upgraded its Stand Alone Credit Profile to bbb- and Moody's upgraded deposits and long-term debt to Baa2/P-2 and Baa3/P-3, respectively. In September S&P improved its outlook from stable to positive. DBRS upgraded in April the Bank's long-term debt to A with stable outlook.

Activity

Loans and advances to customers remained strong in the year. The market share of new lending to companies rose to 20% (+2.7 pp compared to 2017). Regarding SMEs lending, the Bank was the market leader in PME Investe, Crescimento and Capitalizar, with a market share of 23%. New mortgage lending was also very dynamic with a market share of 22% (+0.9 pp compared to 2017).

Despite this strong activity, the stock of loans and advances to customers was 1% lower, compared to 2017. Excluding reverse repurchase agreements, they fell 2% year-on-year, impacted by the sale of non-profitable portfolios.

Customer deposits increased 10% year-on-year driven by demand deposits (+15%) and time deposits (+5%), which produced above-market growth in deposits, particularly in companies. On the other hand, mutual funds decreased 10% and, consequently, customer funds rose 8%.

In addition, EUR 1,154 million are managed in pension funds, 2% lower than in 2017.

Results

Underlying attributable profit amounted to EUR 480 million in the year (5% of the Group's total operating areas), and underlying RoTE was 12.06%.

Compared to 2017, underlying attributable profit rose 10%. Its performance, and that of the main P&L line items, was affected by the impact of Banco Popular's incorporation in June 2017, as follows:

Total income increased 8%, driven by net interest income (+9%). Net fee income was 5% higher, particularly that from insurance and mutual funds. Gains on financial transactions, on the other hand, declined 1% because of fewer sales of asset-liability committee ("ALCO") portfolios in the year.

Administrative expenses and amortisations rose (+5%), although at a slower pace than total income. As a result net operating income increased 11% and the efficiency ratio improved to 48%.

Net loan-loss provisions increased. However, the cost of credit was just 0.09%. The NPL ratio improved to 5.94% from 7.51% in December 2017 and the coverage ratio stood at 50%.

The effective tax rate was higher, partly because of the regulatory rise in corporate tax.

Portugal - financial results (figures in EUR million)

Underlying income statement	2018	2017	%
Net interest income	858	788	8.9
Net fee income	377	360	4.7
Gains (losses) on financial transactions ^A	75	76	(1.0)
Other operating income	34	21	61.4
Total income	1,344	1,245	8.0
Administrative expenses and amortisations	(642)	(614)	4.5
Net operating income	702	630	11.3
Net loan-loss provisions	(32)	(12)	160.6
Other gains (losses) and provisions	18	(44)	—
Profit before tax	688	574	19.8
Tax on profit	(205)	(136)	50.5
Profit from continuing operations	483	438	10.3
Net profit from discontinued operations	—	—	—
Consolidated profit	483	438	10.3
Non-controlling interests	2	2	9.5
Underlying attributable profit to the parent	480	435	10.3

Balance sheet

Loans and advances to customers	35,470	35,678	(0.6)
Cash, central banks and credit institutions	3,454	3,015	14.5
Debt instruments	12,303	11,803	4.2
Other financial assets	1,877	1,828	2.6
Other asset accounts	1,904	2,804	(32.1)
Total assets	55,007	55,127	(0.2)
Customer deposits	37,217	33,986	9.5
Central banks and credit institutions	8,007	10,024	(20.1)
Marketable debt securities	4,259	5,413	(21.3)
Other financial liabilities	257	327	(21.6)
Other liabilities accounts	1,197	1,257	(4.8)
Total liabilities	50,937	51,008	(0.1)
Total equity	4,070	4,119	(1.2)

Pro memoria:

Gross loans and advances to customers ^B	36,568	37,494	(2.5)
Customer funds	39,143	36,115	8.4
Customer deposits ^C	37,217	33,986	9.5
Mutual funds	1,926	2,130	(9.6)

Ratios (%) and operating data

Underlying RoTE	12.06	11.65	0.41
Efficiency ratio	47.8	49.3	(1.6)
NPL ratio	5.94	7.51	(1.57)
NPL coverage	50.5	62.1	(11.6)
Number of employees	6,705	6,822	(1.7)
Number of branches	572	681	(16.0)

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(f) *United Kingdom*

Strategy

We remained focused on growing customer loyalty, operational and digital excellence and steady and sustainable profit growth, while being the best bank for our employees and the communities in which we operate.

To this end, we continued to develop our digital proposition, and in 2018 we retained 55% of refinanced mortgage loans online, an increase of 6 pp year-on-year. We also opened 43% of current accounts and 65% of credit cards through digital channels, increases of 5 and 13 pp, respectively.

We enhanced our Investment Hub platform with a Digital Investment Adviser, which offers easy access to online investment advice from GBP 20 per month. This enables customers to invest up to a maximum of GBP 20,000 in less than 30 minutes, and also receive a personal savings recommendation.

The number of digital customers reached 5.5 million, up 9% year-on-year.

In addition, we launched our innovative 112I3 Business current account in October 2018, which offers standout value to UK SMEs as we seek to shake up the business banking market. Also, we further developed our international proposition with 3 trade corridors established in the year.

We ranked second in retail customer satisfaction, as published by the Financial Research Survey (FRS). And as reported by the Charterhouse Business Banking Survey, our Corporate customer satisfaction at 61% was 7 pp above the market average.

The number of loyal retail customers continued to grow, although at a slower pace (+3%) given the high competition in savings products. Loyal corporate customers increased 5%, with our customer-focused and international proposition.

This performance was achieved despite a very competitive UK banking environment, and one which faces major regulatory changes. Open Banking and PSD II (Payment Services Directive) will influence customer interaction and possibly the competitive landscape.

In 2018, we completed our transition to a ring-fence compliant structure, with the conclusion of the required transfers of business from Santander UK to the Santander London Branch.

Activity

Loans and advances to customers increased 6% in euros compared to 2017. Excluding reverse repurchase agreements and the exchange rate impact, they rose 1%, due to growth in mortgage loans, underpinned by our focus on customer service and retention, offset by managed reductions in commercial real estate exposure.

Customer deposits declined 9% year-on-year in euros and were 1% lower excluding repurchase agreements and the exchange rate impact. Current accounts rose 2%, offset by the reduction in savings and time deposits as part of a management pricing strategy. Mutual funds down 11% predominately driven by negative market movements and reduced net flows this year.

Results

Underlying attributable profit amounted to EUR 1,362 million in 2018 (13% of the Group's total operating areas), and underlying RoTE was 9.32%.

Compared to 2017, underlying attributable profit was 9% lower in euros and 8% excluding the exchange rate impact, as follows:

Total income declined 4% due to lower net interest income (-4%) because of the competitive pressure on mortgage spreads and continued SVR (Standard Variable Rate) volumes attrition. Gains on financial transactions fell 29% largely due to capital gains recorded in 2017. Net fee income, on the other hand, rose 3% backed by income from asset management, partly offset by lower fee income from SCIB.

Administrative expenses and amortisations rose 6% because of increased regulatory, risk and control costs and ongoing strategic and digital transformation investments.

Net loan-loss provisions declined 14%, with a cost of credit of just 7 bps. The NPL ratio improved to 1.05% from 1.33% in 2017, backed by our prudent approach to risk and the resilience of the UK economy. The coverage ratio rose to 33% (32% in 2017).

Other gains (losses) and provisions in the lower part of the income statement had a positive impact in the year, largely due to payment protection insurance charges in 2017 which were not repeated this year.

United Kingdom - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	4,136	4,363	(5.2)	(4.3)
Net fee income	1,023	1,003	2.0	2.9
Gains (losses) on financial transactions ^A	199	282	(29.4)	(28.7)
Other operating income	62	68	(7.9)	(7.0)
Total income	5,420	5,716	(5.2)	(4.3)
Administrative expenses and amortisations	(2,995)	(2,861)	4.7	5.7
Net operating income	2,426	2,855	(15.0)	(14.2)
Net loan-loss provisions	(173)	(205)	(15.3)	(14.5)
Other gains (losses) and provisions	(327)	(466)	(30.0)	(29.3)
Profit before tax	1,926	2,184	(11.8)	(11.0)
Tax on profit	(539)	(662)	(18.6)	(17.8)
Profit from continuing operations	1,387	1,523	(8.9)	(8.0)
Net profit from discontinued operations	—	—	—	—
Consolidated profit	1,387	1,523	(8.9)	(8.0)
Non-controlling interests	25	25	0.7	1.6
Underlying attributable profit to the parent	1,362	1,498	(9.1)	(8.2)

Balance sheet

Loans and advances to customers	257,284	243,617	5.6	6.5
Cash, central banks and credit institutions	39,843	56,762	(29.8)	(29.2)
Debt instruments	29,190	26,188	11.5	12.4
Other financial assets	13,397	24,690	(45.7)	(45.3)
Other asset accounts	9,638	9,974	(3.4)	(2.6)
Total assets	349,353	361,230	(3.3)	(2.5)
Customer deposits	210,388	230,504	(8.7)	(8.0)
Central banks and credit institutions	33,430	27,833	20.1	21.1
Marketable debt securities	67,556	61,112	10.5	11.5

Other financial liabilities	16,583	21,167	(21.7)	(21.0)
Other liabilities accounts	4,181	4,310	(3.0)	(2.2)
Total liabilities	332,137	344,926	(3.7)	(2.9)
Total equity	17,216	16,304	5.6	6.5
Pro memoria:				
Gross loans and advances to customers ^B	235,753	235,783	(0.0)	0.8
Customer funds	206,630	210,305	(1.7)	(0.9)
Customer deposits ^C	199,054	201,763	(1.3)	(0.5)
Mutual funds	7,576	8,543	(11.3)	(10.6)

Ratios (%) and operating data

Underlying RoTE	9.32	10.26	(0.94)
Efficiency ratio	55.2	50.1	5.2
NPL ratio	1.05	1.33	(0.28)
NPL coverage	33.0	32.0	1.0
Number of employees	25,872	25,971	(0.4)
Number of branches	756	808	(6.4)

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(g) Latin America

Strategy

Santander is a relevant player in the main markets of Latin America. Digital technology is enabling financial inclusion in this market, as there are millions of people without access to banking services.

Thanks to our global network, we see great potential in developing relationships to serve our customers better along natural corridors of economic opportunity – such as between Brazil and Argentina, or the US and Mexico.

We continue to invest in operating systems and digital infrastructure in order to streamline processes and enhance the customer experience, launching differential propositions. The actions conducted are detailed in each unit.

In 2018, loyal customers increased 21% and digital customers 30% and both rose in all units.

The effort made in the commercial transformation helped soften the impact of some instability bouts on results, stemming from the election calendar in Mexico and Brazil, the impact of some currency depreciation (mainly the Argentine peso), and the high inflation adjustment in Argentina.

The macroeconomic instability in Argentina during the year, caused a strong depreciation of the peso (over 40%) and year-on-year high inflation (47% in December 2018). As a result, Argentina renegotiated its agreement with the IMF and modified its economic programme, focusing on correcting the fiscal deficit.

The agreement enables Argentina to cover its financing needs for 2018-2019. The new monetary and fiscal policies should lead to more stable exchange rates and lower inflation. Santander carried out an inflation adjustment in accordance with regulation IAS29 of EUR 239 million, as detailed on Argentina's page.

The Group continues to be immersed in its cultural transformation in the region, underscored by the several awards it received. In 2018, Santander was among the top 3 best financial entities to work for in Latin America in the ranking Great Place to Work.

Other awards were: Bank of the Year in Latin America in 2017 and 2018 by The Banker, and Best Private Banking in 2019 by Euromoney.

Activity

Loans and advances to customers rose 2% in euros compared to 2017. Gross loans and advances to customers, excluding reverse repurchase agreements and the exchange rate impact, rose 12%, with growth rates around or above 10% in all units.

Customer deposits remained stable in euros. Excluding repurchase agreements and the exchange rate impact, deposits increased 15%, with rises across all units driven by both demand and time deposits. Customer funds increased 12% including mutual funds (+6%).

Results

Underlying attributable profit amounted to EUR 4,228 million in the year (43% of the Group's total operating areas), and underlying RoTE was 19.12%.

Compared to 2017, underlying attributable profit was 2% lower in euros. The performance was very affected by the high inflation adjustment in Argentina, and by currency depreciation against the euro. Excluding the forex impact, profit rose 16%, as follows:

Total income increased 12%, backed by the main P&L line items. Good performance of the most commercial revenues, underpinned by higher volumes, management of spreads and increased loyalty. Net interest income was 15% higher and net fee income 16%, with growth in all units. Gains on financial transactions (which account for just 3% of total income), fell 28%, largely due to the evolution in Brazil, impacted by market conditions.

Administrative expenses and amortisations were 10% higher, mostly due to expansion and commercial transformation plans, as well as greater digitalisation of the retail network. Of note was the rise in Mexico, because of the ongoing three-year investment plan.

Net loan-loss provisions rose 7%, well below the growth rate in loans and advances to customers, and enabled the cost of credit to improve 20 bps in the year, to 2.95%. Credit quality was better: the NPL ratio improved to 4.34%, from 4.46% in December 2017, and the coverage ratio increased to 97%, 85% in December 2017.

The negative impact of other income and provisions was 39% lower, thanks to reduced provisions for legal and labour contingencies in Brazil.

Latin America - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	15,654	15,984	(2.1)	15.1
Net fee income	5,253	5,494	(4.4)	15.7
Gains (losses) on financial transactions ^A	600	1,013	(40.8)	(28.5)
Other operating income	(306)	29	—	—
Total income	21,201	22,519	(5.9)	11.6
Administrative expenses and amortisations	(7,996)	(8,721)	(8.3)	9.9
Net operating income	13,204	13,799	(4.3)	12.7
Net loan-loss provisions	(4,567)	(4,972)	(8.2)	7.1
Other gains (losses) and provisions	(666)	(1,329)	(49.9)	(38.8)
Profit before tax	7,971	7,497	6.3	25.3
Tax on profit	(2,904)	(2,386)	21.7	45.3
Profit from continuing operations	5,067	5,111	(0.8)	16.1
Net profit from discontinued operations	—	—	—	—
Consolidated profit	5,067	5,111	(0.8)	16.1
Non-controlling interests	840	814	3.2	14.2
Underlying attributable profit to the parent	4,228	4,297	(1.6)	16.5
Balance sheet				
Loans and advances to customers	150,544	147,929	1.8	11.3
Cash, central banks and credit institutions	60,721	56,087	8.3	20.9
Debt instruments	59,367	57,824	2.7	9.9
Other financial assets	14,994	14,226	5.4	9.5

Other asset accounts	17,731	17,280	2.6	13.2
Total assets	303,356	293,347	3.4	12.8
Customer deposits	142,576	143,266	(0.5)	9.3
Central banks and credit institutions	48,104	39,613	21.4	30.6
Marketable debt securities	37,698	34,435	9.5	18.4
Other financial liabilities	36,851	36,084	2.1	10.9
Other liabilities accounts	10,867	11,016	(1.4)	7.6
Total liabilities	276,095	264,415	4.4	13.9
Total equity	27,261	28,932	(5.8)	3.0

Pro memoria:

Gross loans and advances to customers ^B	157,022	153,353	2.4	11.9
Customer funds	197,598	194,975	1.3	11.8
Customer deposits ^C	126,030	120,493	4.6	15.3
Mutual funds	71,568	74,482	(3.9)	6.1

Ratios (%) and operating data

Underlying RoTE	19.12	17.94	1.18
Efficiency ratio	37.7	38.7	(1.0)
NPL ratio	4.34	4.46	(0.12)
NPL coverage	97.3	85.0	12.3
Number of employees	90,196	89,014	1.3
Number of branches	5,803	5,908	(1.8)

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(h) *Brazil*

Strategy

Santander Brasil recorded, once again, historically noteworthy results evolution in 2018, outperforming its main peers and underpinned by increased business activity, higher operational efficiency and enhanced credit quality. This was possible by the continued strengthening of our franchise, agile innovation and enhanced services, in order to improve customer experience and satisfaction.

The year's main actions by segments included:

Aligned with the digital strategy, we put on for the fourth year running, Santander Black Week. We increased our sales through all channels, mainly in mortgages and working capital. We also launched Select Direct and the Meus Compromissos app.

The average time for taking out a mortgage loan was cut. New mortgage lending growth more than doubled the market's and the use of the digital channels for taking out loans increased thanks to the Webcasas tool.

New payroll lending increased 28%, notably through digital channels that increased exponentially.

We continued to be the leading bank in auto finance, with a market share of 23.7% (+64 bps year-on-year). In Webmotors, we implemented the Cockpit tool, an innovative platform for the resale of vehicles, and launched Autopago, a more secure purchase and sale solution for individuals. We also announced the acquisition of a 51% stake in LOOP, which focuses on the auto market. Moreover, Santander Brasil also created Santander Auto, a fully digital insurer, a joint venture with HDI Seguros.

In acquiring business, we maintained our focus on innovative solutions and on integrating the segment offer within the Bank. We implemented the PoS digital, SuperGet remained strong and revenue continued to grow notably (+32% year-on-year), with a market share of 14.4% (+292 bps).

In cards, increase in revenue (+20%) and in market share. The Santander Way app continued to be one of the main tools for digitalisation and customer relationship. It is considered the best app in the financial market given its score in both the Apple Store and Google Play.

In companies, increased customer base and portfolio volumes. In SMEs thanks to a specialised customer attention we have reached one million customers and gained market share (+40 bps year-on-year) to 11.4%. In Corporate, boosted by the new commercial strategy, and SCIB where we also have diversified revenue sources.

Santander continues to hold an outstanding position in the Prospera Santander Microcredit programme, with presence in 630 locations and a loan portfolio of BRL 642 million.

Moreover, in 2018 we strengthened our brand and culture, and were named one of the best companies to work for by The Great Place to Work (GPTW) ranking, for the third year running.

Activity

Loans and advances to customers increased 1% year-on-year in euros, highly impacted by the real's depreciation. In gross terms (excluding reverse repos and the exchange rate impact), they increased at double-digit rates (+13%). All segments recorded growth, notably consumer finance and SMEs.

Customer deposits fell 3% year-on-year in euros, but increased 23% excluding repos and the exchange rate impact, driven by strong growth in demand deposits (+9%) and time deposits (+29%), offsetting the reduction in letras financeiras.

This evolution was reflected in profitable market share gain on customer funds, mainly in savings and agricultural credit notes.

Results

Underlying attributable profit of EUR 2,605 million in 2018 (26% of the Group's total operating areas), and underlying RoTE of 19.77%.

Compared to 2017, underlying attributable profit rose 2% in euros. Excluding the exchange rate impact, it was 22% higher, with good performance in the main lines, as follows:

Total income increased 12%, driven by net interest income (+16%) due to larger volumes, and net fee income (+15%), with good performance of almost all revenue line items. Of note was the growth in cards (+16%), current accounts (+11%), mutual funds (+54%), and insurance (+13%). Gains on financial transactions, which have very little weight (1%) on total revenue, fell 68%, affected in part by the market environment.

Administrative expenses and amortisations rose 5%, in line with business growth. This rise, less than half of that in total income, produced the best efficiency ratio of the last five years, at 33.6%.

Net loan-loss provisions increased 4%, well below the growth in loans. All credit quality ratios improved: the cost of credit declined to 4.06% from 4.36% in 2017. The NPL ratio improved to 5.25% from 5.29% a year earlier and the coverage ratio rose to 107% from 93% in 2017.

The negative impact of other gains (losses) and provisions was 30% less, due to lower provisions for legal and labour claims (trabalhistas).

Profit before tax was 35% higher. This increase, however, did not feed through to underlying attributable profit because of the higher tax (+57%), due to the rise in the effective tax rate (end of some deductions).

Brazil - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	9,758	10,078	(3.2)	15.7
Net fee income	3,497	3,640	(3.9)	14.8
Gains (losses) on financial transactions ^A	136	510	(73.4)	(68.2)
Other operating income	(46)	46	—	—
Total income	13,345	14,273	(6.5)	11.7

Administrative expenses and amortisations	(4,482)	(5,080)	(11.8)	5.4
Net operating income	8,863	9,193	(3.6)	15.2
Net loan-loss provisions	(2,963)	(3,395)	(12.7)	4.2
Other gains (losses) and provisions	(697)	(1,186)	(41.2)	(29.7)
Profit before tax	5,203	4,612	12.8	34.8
Tax on profit	(2,264)	(1,725)	31.2	56.7
Profit from continuing operations	2,940	2,887	1.8	21.7
Net profit from discontinued operations	—	—	—	—
Consolidated profit	2,940	2,887	1.8	21.7
Non-controlling interests	335	343	(2.2)	16.8
Underlying attributable profit to the parent	2,605	2,544	2.4	22.3

Balance sheet

Loans and advances to customers	70,850	70,454	0.6	12.5
Cash, central banks and credit institutions	37,015	34,920	6.0	18.6
Debt instruments	40,718	38,693	5.2	17.7
Other financial assets	6,133	5,798	5.8	18.3
Other asset accounts	11,320	11,825	(4.3)	7.1
Total assets	166,036	161,690	2.7	14.9
Customer deposits	68,306	70,074	(2.5)	9.0
Central banks and credit institutions	29,758	23,591	26.1	41.1
Marketable debt securities	21,218	20,056	5.8	18.3
Other financial liabilities	24,241	23,783	1.9	14.0
Other liabilities accounts	7,237	7,536	(4.0)	7.4
Total liabilities	150,760	145,040	3.9	16.3
Total equity	15,276	16,650	(8.3)	2.6

Pro memoria:

Gross loans and advances to customers ^B	75,282	74,341	1.3	13.3
Customer funds	110,243	106,959	3.1	15.3
Customer deposits ^C	57,432	52,180	10.1	23.1
Mutual funds	52,811	54,779	(3.6)	7.8

Ratios (%) and operating data

Underlying RoTE	19.77	16.91	2.86	
Efficiency ratio	33.6	35.6	(2.0)	
NPL ratio	5.25	5.29	(0.04)	
NPL coverage	106.9	92.6	14.3	
Number of employees	46,914	47,135	(0.5)	
Number of branches	3,438	3,465	(0.8)	

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(i) Mexico

Strategy

During the year, we continued with our three-year plan of investment in systems and infrastructures as part of the commercial transformation strategy, carried out to improve multichanneling, strengthen our distribution model and launch new commercial initiatives in order to attract customers and increase loyalty with more products and services.

Regarding the distribution model, we are developing different projects such as:

Transformation and implementation of the new branch distribution model, up to 314 transformed branches, surpassing the target (300).

We also launched the new sucursal Ágil model and the Transformación Digital de Nómina programme in order to improve the customer experience and cut waiting time.

The number of new generation full function ATMs reached 817, above target. Also, the CRM was strengthened.

Of note in digitalisation was the following:

Launch of Campaña Libertad, in order to boost digital channels and reduce transactions at the branches, freeing commercial time.

We continued to strengthen mobile functionalities with Súper Móvil, Súper Wallet and contactless payments.

Moreover, we developed several initiatives to consolidate our position as the bank for SMEs. We launched the new electronic banking system for SMEs and medium size companies, becoming the first bank in Mexico to offer a digital account for SMEs with SAS status (Sociedad por Acciones Simplificadas) created by the Ministry of Economy and we promoted loans to the agribusiness sector.

Our commercial strategy was complemented with new products and services, such as:

The Santander Plus programme continued to add customer benefits related to loans, insurance and commercial alliances. Over 4.7 million customers, 55% of whom are new, have already registered two years after its launching.

Hipoteca Plus, a very competitive scheme in which customers benefit if they have a close relationship with the Bank.

Súper Auto (launched in the second half of the year), for auto and motorcycle finance through a fully digital credit origination. We have over 300 auto selling agencies affiliated and a financed portfolio of EUR 32 million.

Select Me, a programme that supports women with solutions that facilitate their day-to-day tasks and professional development. It had over 5,400 active customers at the end of the year.

Launch of the new system IVR (Interactive Voice Response) at the Contact Centre.

The Tuiio programme offers products and services specially designed for low-income and non bankarised population.

These measures resulted in increased loyalty and digitalisation of our customer base. Loyal customers rose 26% and digital ones 48%, notably mobile banking (+61%).

Activity

Loans and advances to customers increased 16% in euros, compared to 2017. Gross loans and advances to customers rose 10%, excluding reverse repurchase agreements and the exchange rate impact, with focus on profitability and growth in loans to individuals (consumer credit +4%, credit cards +4% and mortgage loans +9%) as well as SMEs, companies, and large companies.

Customer deposits rose 13%. Excluding repurchase agreements and the exchange rate impact, demand deposits increased 5% and time deposits 9%. Mutual funds fell 5%, and so customer funds increased 3%.

Results

Underlying attributable profit amounted to EUR 760 million in the year (8% of the Group's total operating areas), and underlying RoTE was 20.35%.

Compared to 2017, underlying attributable profit was 7% higher in euros. Excluding the exchange rate impact underlying attributable profit rose 14%, as follows:

Total income increased 9%, driven by net interest income (+13%), backed by larger volumes and higher interest rates. Net fee income was 8% more, largely due to credit cards, mutual funds and insurance. Gains on financial transactions, which have very little weight in fee income, fell 28% impacted by the volatile environment.

Administrative expenses and amortisations were 13% higher, in line with the ongoing investments.

Net loan-loss provisions dropped 2%. The cost of credit improved significantly to 2.75% compared to 3.08% a year ago and the NPL ratio was also better at 2.43% (2.69% in 2017).

Mexico - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	2,763	2,601	6.2	13.2
Net fee income	756	749	0.9	7.5
Gains (losses) on financial transactions ^A	101	150	(32.5)	(28.0)
Other operating income	(94)	(40)	135.3	150.7
Total income	3,527	3,460	1.9	8.6
Administrative expenses and amortisations	(1,462)	(1,382)	5.8	12.8
Net operating income	2,064	2,078	(0.7)	5.8
Net loan-loss provisions	(830)	(905)	(8.2)	(2.2)
Other gains (losses) and provisions	(3)	(39)	(91.3)	(90.8)
Profit before tax	1,230	1,134	8.5	15.6
Tax on profit	(255)	(230)	10.9	18.2
Profit from continuing operations	975	904	7.9	14.9
Net profit from discontinued operations	—	—	—	—
Consolidated profit	975	904	7.9	14.9
Non-controlling interests	215	194	11.1	18.4
Underlying attributable profit to the parent	760	710	7.0	14.0

Balance sheet

Loans and advances to customers	30,632	26,462	15.8	10.0
Cash, central banks and credit institutions	12,403	9,956	24.6	18.4
Debt instruments	14,142	13,676	3.4	(1.7)
Other financial assets	5,683	5,627	1.0	(4.0)
Other asset accounts	3,016	2,481	21.6	15.5
Total assets	65,876	58,203	13.2	7.6
Customer deposits	34,327	30,392	12.9	7.4
Central banks and credit institutions	9,536	8,247	15.6	9.9
Marketable debt securities	6,194	5,168	19.9	13.9
Other financial liabilities	8,281	7,680	7.8	2.5
Other liabilities accounts	2,168	1,779	21.9	15.9
Total liabilities	60,507	53,267	13.6	8.0
Total equity	5,369	4,936	8.8	3.4

Pro memoria:

Gross loans and advances to customers ^B	31,192	26,962	15.7	10.0
Customer funds	38,630	35,548	8.7	3.3
Customer deposits ^C	28,705	25,629	12.0	6.5
Mutual funds	9,925	9,919	0.1	(4.9)

Ratios (%) and operating data

Underlying RoTE	20.35	19.50	0.85
Efficiency ratio	41.5	39.9	1.5
NPL ratio	2.43	2.69	(0.26)
NPL coverage	119.7	97.5	22.2

Number of employees	19,859	18,557	7.0
Number of branches	1,418	1,401	1.2

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(j) Chile

Strategy

Santander is the largest privately owned bank in Chile by assets and customers, with a marked retail and transactional focus.

In 2018, the strategy continued to be focused on offering an attractive profitability in a stable country, one with low risk and accelerated economic growth. GDP rose 4% (estimated) in the year (1.5% in 2017).

The focus was on our phygital transformation, a proposition that combines the best of the digital and physical worlds, where progress was made as follows:

We continued opening Work Café branches and launched Work Café 2.0, a pilot project for smaller branches, and a new branch model for Select and Private Banking segments.

Under the digitalisation strategy, we launched the new 2.0 app, significantly improved, and Santander Wallet, the first app for mobile payments in Chile.

We launched Superdigital offer and signed an alliance with Amazon in order to be able to manage purchases on its platform with Santander cards.

Promotion of Digital Onboarding, the first fully digital platform, in order to convert non-customers into customers, while improving loyalty.

Also, we continued offering specialised propositions for each segment, such as:

Launch of OnePay FX for companies.

Consolidation of Santander Life, as a new way to interact with the community and the customer via products aimed at the mass consumer market. We launched Life 2.0 at the end of 2018, which will provide additional benefits to customers that are already part of the programme.

Improving the quality of service is still one of our main priorities, and efforts made in this matter were reflected in greater customer satisfaction.

As a result, loyal and digital customers both increased 7% year-on- year.

Santander Chile is continuously striving to become the best bank for customers. Euromoney, The Banker and Latin finance recognised these efforts naming Santander as the Best Bank in Chile.

Activity

Loans and advances to customers increased 2% year-on-year in euros. Excluding reverse repurchase agreements and the exchange rate impact, they rose 10%, backed by those to individuals and companies.

Customer deposits fell 1% year-on-year in euros, and rose 7% excluding repurchase agreements and the exchange rate impact, reflecting the strategy to improve the mix of customer funds, particularly demand deposits (+11%), driven by the Select segment. Mutual funds rose 12%.

Results

Underlying attributable profit of EUR 614 million in 2018 (6% of the Group's total operating areas), and underlying RoTE of 18.39%.

Compared to 2017, underlying attributable profit rose 5% in euros. Excluding the exchange rate impact it was 8% higher, as follows:

Total income rose 4%, driven by net interest income (+5%), backed by growth in volumes, higher interest rates and a better mix of customer funds. Net fee income rose 12%, underpinned by income from insurance, mutual funds and greater use of cards. Gains on financial transactions, on the other hand, fell 28%, due to the lower contribution of SCIB business.

Administrative expenses and amortisations increased 5%, slightly more than total income, due to investments in IT and innovation and the higher costs of the collective salary agreement. The efficiency ratio remained at around 41%.

Net loan-loss provisions were 6% higher, below the growth in lending and improvement the credit quality indicators. The cost of credit remained stable (1.19% in 2018 compared to 1.21% in 2017), and the NPL ratio dropped to 4.66% (4.96% in December 2017). The coverage ratio rose to 61% (58% in 2017).

Other gains (losses) and provisions amounted to EUR 103 million due to higher income from the sale of foreclosed assets and reversal of provisions to specific loan-loss funds.

Lastly, tax was 14% higher, affected by increased tax pressure. Profit before tax was up 9%.

Chile - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	1,944	1,907	1.9	5.4
Net fee income	424	391	8.3	12.0
Gains (losses) on financial transactions ^A	149	213	(30.1)	(27.7)
Other operating income	19	12	62.3	67.8
Total income	2,535	2,523	0.5	3.9
Administrative expenses and amortisations	(1,045)	(1,025)	1.9	5.4
Net operating income	1,491	1,498	(0.5)	3.0
Net loan-loss provisions	(473)	(462)	2.5	6.0
Other gains (losses) and provisions	103	23	345.6	360.9
Profit before tax	1,121	1,059	5.8	9.5
Tax on profit	(220)	(200)	10.0	13.7
Profit from continuing operations	901	859	4.9	8.5
Net profit from discontinued operations	—	—	—	—
Consolidated profit	901	859	4.9	8.5
Non-controlling interests	287	273	4.9	8.5
Underlying attributable profit to the parent	614	586	4.9	8.5

Balance sheet

Loans and advances to customers	37,908	37,153	2.0	10.0
Cash, central banks and credit institutions	4,247	4,321	(1.7)	6.0
Debt instruments	3,106	4,143	(25.0)	(19.2)
Other financial assets	3,164	2,789	13.4	22.3
Other asset accounts	2,486	1,949	27.6	37.5
Total assets	50,911	50,355	1.1	9.0
Customer deposits	25,908	26,043	(0.5)	7.3
Central banks and credit institutions	5,867	5,491	6.8	15.2
Marketable debt securities	9,806	8,967	9.4	17.9
Other financial liabilities	3,535	3,598	(1.8)	5.9
Other liabilities accounts	919	1,222	(24.8)	(18.9)
Total liabilities	46,035	45,321	1.6	9.5
Total equity	4,876	5,034	(3.1)	4.4

Pro memoria:

Gross loans and advances to customers ^B	39,019	38,249	2.0	10.0
Customer funds	33,279	33,104	0.5	8.4
Customer deposits ^C	25,860	25,940	(0.3)	7.5

Mutual funds	7,419	7,163	3.6	11.7
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Ratios (%) and operating data

Underlying RoTE	18.39	17.89	0.50
Efficiency ratio	41.2	40.6	0.6
NPL ratio	4.66	4.96	(0.30)
NPL coverage	60.6	58.2	2.4
Number of employees	12,008	11,675	2.9
Number of branches	381	439	(13.2)

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(k) Argentina

Strategy

Santander Río consolidated its position as Argentina's largest privately owned bank in terms of banking business. It is also one of the leading banks in loans, deposits, means of payment, transactional services, cash management, payrolls, wealth management and insurance.

The initiatives in 2018, focused on fulfilling its four strategic pillars: growth, risk control, operational excellence and the customer experience, via customer loyalty and digitalisation, with new products and services.

Customer value offers were redefined with special focus on key segments. Meanwhile, the transformation process continued in order to fully digitalise our platforms and incorporate the cutting-edge technologies in order to better know customers and anticipate their needs.

This strategy enabled the launch of various initiatives such as:

Development of efficiency plans, such as the implementation of digital improvements, robotics in operative processes, digitalisation of attention channels, merger of the former Citibank branches, technology insourcing and negotiation with new suppliers.

Launch of the new online banking, representing a renewal towards a more digital innovation experience and closer to customers, which was well accepted, while increasing the functionalities of mobile banking.

The Remote Attention Centre for Select customers has been opened, enabling closer management of the highest value portfolio.

The first fully digital customer journeys were implemented, which enables the opening of saving accounts in only 7 minutes. This will also be implemented in mortgages, SMEs and cards.

Launch of Santander Work Café, based on the Group's experience in other countries.

Improvement of SuperClub points programme platform, which enables users to enjoy a more personalised experience and a simple point redemption.

As a result of all the above, loyal customers rose 6% year-on-year and digital ones 7%. They already account for 47% and 71% of total active customers, respectively. On the other hand, mobile banking customers account for 40% and digital sales rose by 64%.

Moreover, Global Finance again chose us as the Best Digital Bank in Argentina, The Banker and Global Finance named us the Best Bank in Argentina and we were ranked one of the five best companies to work for by GPTW.

Activity

Loans and advances to customers fell 32% year-on-year in euros. Excluding reverse repurchase agreements and the exchange rate impact, gross loans and advances to customers were 40% higher.

Customer deposits declined 14% compared to 2017 in euros. Excluding repurchase agreements and the exchange rate impact, deposits rose 64%.

The Bank recorded strong year-on-year growth in peso balances, with loans increasing 18% (mainly mortgage loans, auto lending and companies) and deposits 33%. Moreover, volumes were positively impacted by dollar balances due to the impact of the peso's depreciation.

Results

Underlying attributable profit amounted to EUR 84 million in the year (1% of the Group's total operating areas), and underlying RoTE of 11.83%.

Compared to 2017, underlying attributable profit was 77% lower in euros, affected by the high inflation adjustment of EUR 239 million, (EUR -193 million for monetary adjustment and EUR -46 million for the exchange rates).

The adjustment was made in accordance with IAS29, applied when, among other factors, the cumulative three-year inflation is above or around 100%, which implies that, Argentina's 2018 full year results and balance sheet at December 2018 are adjusted to high inflation. Excluding the exchange rate impact profit fell 54%, as follows:

Total income increased 35%, spurred by net interest income (+52%) driven by greater volumes in an environment of high inflation and high interest rates. Net fee income rose 47%, driven by greater foreign currency activity in a volatile exchange rate environment and income from cash management. Gains on financial transactions increased 125%, benefiting from a volatile environment and markets.

The growth in administrative expenses and amortisations (+51%), reflected investments in digitalisation projects, the automatic revision of salary agreements because of the rise in inflation and the peso's depreciation against the dollar.

Net loan-loss provisions were higher (+184%) due to the individuals' portfolio, particularly in medium and low income segments. The cost of credit increased to 3.45% (1.85% in 2017). The NPL ratio stood at 3.17% (2.50% in December 2017) and the coverage ratio improved to 135% (100% in December 2017).

Other gains (losses) and provisions fell 5%.

Argentina - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	768	985	(22.0)	52.5
Net fee income	448	596	(24.8)	47.0
Gains (losses) on financial transactions ^A	170	147	15.2	125.3
Other operating income	(177)	18	—	—
Total income	1,209	1,747	(30.8)	35.4
Administrative expenses and amortisations	(749)	(970)	(22.8)	51.0
Net operating income	460	777	(40.8)	15.8
Net loan-loss provisions	(231)	(159)	45.4	184.4
Other gains (losses) and provisions	(45)	(92)	(51.5)	(5.2)
Profit before tax	185	526	(64.9)	(31.4)
Tax on profit	(100)	(165)	(39.0)	19.2
Profit from continuing operations	84	362	(76.7)	(54.4)
Net profit from discontinued operations	—	—	—	—
Consolidated profit	84	362	(76.7)	(54.4)
Non-controlling interests	1	2	(71.9)	(45.2)
Underlying attributable profit to the parent	84	359	(76.7)	(54.5)

Balance sheet

Loans and advances to customers	5,334	7,808	(31.7)	30.1
Cash, central banks and credit institutions	5,096	4,766	6.9	103.7

Debt instruments	825	138	498.9	—
Other financial assets	6	6	(9.7)	72.1
Other asset accounts	742	732	1.4	93.2
Total assets	12,003	13,449	(10.8)	70.0
Customer deposits	8,809	10,235	(13.9)	64.0
Central banks and credit institutions	848	599	41.4	169.4
Marketable debt securities	422	206	105.0	290.4
Other financial liabilities	743	982	(24.3)	44.3
Other liabilities accounts	307	244	26.0	139.9
Total liabilities	11,130	12,266	(9.3)	72.8
Total equity	872	1,183	(26.3)	40.5

Pro memoria:

Gross loans and advances to customers ^B	5,574	7,608	(26.7)	39.5
Customer funds	10,191	12,855	(20.7)	51.0
Customer deposits ^C	8,809	10,235	(13.9)	64.0
Mutual funds	1,382	2,620	(47.3)	0.4

Ratios (%) and operating data

Underlying RoTE	11.83	32.02	(20.19)
Efficiency ratio	61.9	55.5	6.4
NPL ratio	3.17	2.50	0.67
NPL coverage	135.0	100.1	34.9
Number of employees	9,324	9,277	0.5
Number of branches	468	482	(2.9)

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(I) *Uruguay*

Strategy

Santander continued to focus on increasing loyalty and improving customer satisfaction, where we are ranked second. We continued to advance in our digital transformation strategy: the number of digital customers increased 30% and digital penetration 58% (up from 49% in 2017). Consumer finance companies also increased placements via digital channels. At Creditel they already account for 30% of new loans.

Santander holds a relevant position in the business of families in the private sector (27% market share), and in mortgage loans (over 30% market share), thanks to the specialised centre of auto and home lending.

Santander Uruguay was named Best Bank to Work for in the country and the seventh Best Company to Work for in 2018 by GPTW consulting.

Activity

Loans and advances to customers grew 16% year-on-year in euros. Excluding reverse repos and the exchange rate impact, they rose 25% driven by growth in the target segments, products and currencies: consumer credit and cards (+20%) and local currency portfolio (+18%).

Customer deposits were 5% higher in euros compared to 2017. Excluding the exchange rate impact, they increased 13%. Peso deposits grew 12% and foreign currency ones the equivalent of 13%.

Results

In 2018, underlying attributable profit was EUR 132 million and underlying RoTE of 27.0%. Compared to 2017, underlying attributable profit increased 28% in euros and 43% excluding the exchange rate impact. By line items:

Total income grew 17% mainly driven by net interest income and good performance of the main revenue line items. The efficiency ratio was 44.6%, 4 percentage points better than in 2017.

Despite the rise in provisions because of the entry into force of IFRS9 and other impacts, the NPL ratio remained low (3.38%) and coverage was high (112%). The cost of credit stood at 2.80%.

Uruguay - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	311	299	4.2	16.8
Total income	419	402	4.4	17.0
Administrative expenses and amortisations	(187)	(195)	(4.0)	7.6
Net operating income	232	207	12.3	25.9
Net loan-loss provisions	(69)	(54)	27.6	43.1
Profit before tax	159	142	11.9	25.4
Underlying attributable profit to the parent	132	103	27.7	43.1

Balance sheet				
Total assets	4,605	4,397	4.7	12.5
Gross loans and advances to customers ^A	2,743	2,353	16.6	25.2
Customer funds	3,893	3,681	5.8	13.6
Customer deposits ^B	3,861	3,681	4.9	12.7
Mutual funds	32	—	—	—

A. Excluding reverse repos.

B. Excluding repos.

(m) *Peru*

Strategy

In 2018, Santander continued to develop its activity centred on corporate banking and the country's large companies, as well as providing service for the Group's global customers, boosting growth on its auto finance company.

We widened our product range and customer base in all business segments, diversified funding sources and expanded treasury services for our customers through foreign exchange transactions, forwards and other derivatives.

Moreover, we continued contributing to the development of public infrastructure, through the structuring and financing of ports and roads and refineries adequacy in order to comply with the highest environmental standards. We also participated in an international bond issuance of the Peruvian estate of USD 2.0 billion.

Santander Peru has the highest rating (A+) of the country's financial system, following the recent upgrade.

Activity

Loans and advances to customers increased 45% year-on-year in euros (+43% on a gross basis, excluding the exchange rate impact), and customer deposits rose 17% (+16% excluding the exchange rate impact).

Results

Underlying attributable profit of EUR 41 million in euros in 2018 was 3% higher year-on-year.

Excluding the exchange rate impact, underlying attributable profit increased 8%. Total income grew 19% driven by good performance of net interest income, net fee income and gains on financial transactions, which more than offset the higher administrative expenses and amortisations stemming from investment in corporate projects. The efficiency ratio stood at 33% and the coverage ratio remained high (224%).

(n) *Colombia*

Strategy

Business activity in Colombia continued to focus on SCIB customers, large corporates and corporates. The Group continues to provide solutions in treasury, risk hedging, foreign trade and confirming, as well as developing investment banking products and supporting the country's infrastructure plan. In order to fulfil this offer, Santander Securities Services Colombia already has all the authorisations needed to begin to offer custody services in 2019.

We continued to concentrate on auto financing business. This will enable us to have the critical mass needed to consolidate ourselves in this market.

Activity

Loans and advances to customers increased 100% year-on-year in euros. Excluding the exchange rate impact they rose 107%, backed by the good performance of peso portfolios. Customer deposits rose 41% in euros and 46% excluding the exchange rate impact, driven by demand deposits and particularly time deposits.

Results

Underlying attributable profit of EUR 9 million in the year, 54% more than in 2017 in euros.

Excluding the exchange rate impact, underlying attributable profit rose 61%, backed by total income (+67%) spurred by net interest income, net fee income and gains on financial transactions.

(o) *United States*

Strategy

Santander US includes Santander Holdings USA (SH USA, the intermediate holding company) and its subsidiaries: Santander Bank (SBNA), which is one of the largest banks in the north-eastern United States, Santander Consumer USA, an auto finance business based in Dallas, TX; the international private banking unit in Miami; the wholesale broker-dealer in New York and the retail and commercial bank in Puerto Rico.

In 2018, Santander US achieved significant regulatory milestones, strengthened business performance and continued to demonstrate its commitment to the communities in which it operates.

The Federal Reserve terminated its 2015 Written Agreement with SH USA, reflecting SH USA's enhancements to board oversight, governance, compliance, risk management, capital planning and liquidity risk management. Also, in June 2018 SH USA passed the Federal Reserve's annual capital stress test for the second consecutive year.

Regarding business performance, we maintained the following strategic priorities:

Santander Bank:

A continued focus on improving the customer experience and product offer across the digital and physical channels, led to growth in loyal and digital customers. In Retail Banking, loyal customers rose 12%. Digital customers increased 10%, backed by continued enhancements to the Bank's digital capabilities.

Continued investments in Commercial Banking and SCIB contributed to consistent growth in the Bank's loans and advances to customers booked in the year.

Improved earning asset mix to drive margin improvements.

Santander Consumer USA:

Focus on dealer experience and pricing, reflected in the strong growth in originations across all channels in 2018.

In addition, Santander Consumer completed its USD 200 million share repurchase programme in January 2019.

As announced in June 2018, Santander Consumer USA is in discussions with FCA (Fiat Chrysler Automobiles) regarding the future of FCA's US finance operations after FCA had announced its intention to establish a captive US auto finance unit and indicated that acquiring Santander Consumer USA's FCA-related business was one option it would consider. These discussions cover a range of options on how to optimise the existing contract and other longer-term arrangements. While discussions continue, Santander Consumer USA and FCA continue to operate under the existing arrangements.

Activity

Loans and advances to customers at Santander US increased 19% in euros year-on-year in net terms. Excluding the exchange rate impact and reverse repurchase agreements, gross loans and advances to customers were 6% higher, due to:

Higher origination volumes at Santander Consumer USA and growth in consumer, companies, and SCIB at Santander Bank. On the other hand, SBNA began originating auto loans through Santander Consumer USA.

Customer deposits rose 12% in euros year-on-year. Excluding repurchase agreements and the exchange rate impact, customer deposits were 5% higher, as demand deposits fell due to the outflow of public sector balances and higher interest rates, more than offset by the increase in time deposits.

Results

Underlying attributable profit in the year was EUR 552 million (5% of the Group's total operating areas), and underlying RoTE was 4.12%.

Compared to 2017, underlying attributable profit rose 35% in euros and 42% excluding the exchange rate impact, driven by strong growth in Santander Bank and Santander Consumer USA. By line items:

Total income increased 5%. Net interest income rose 1% due to higher loan volume, despite lower spreads on loans in Santander Consumer USA and higher cost of funding. Net fee income decreased 7% due to lower fees at Santander Consumer USA and the New York branch.

Gains on financial transactions amounted to EUR 72 million (they were close to zero in 2017). Other operating income increased 60% due to higher income from leasing.

The administrative expenses and amortisations trend continued to improve (-1%) mainly due to lower technology depreciation.

Net loan-loss provisions fell 1%. The cost of credit ratio improved to 3.27% from 3.42% in December 2017. The NPL ratio stood at 2.92% and coverage was 143%.

Other gains (losses) and provisions increased losses due to charges related to legal claims and the sale of branches in 2017.

United States - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	5,391	5,569	(3.2)	1.3
Net fee income	859	971	(11.6)	(7.4)
Gains (losses) on financial transactions ^A	72	9	669.2	705.0
Other operating income	628	410	53.1	60.3
Total income	6,949	6,959	(0.1)	4.5
Administrative expenses and amortisations	(3,015)	(3,198)	(5.7)	(1.3)
Net operating income	3,934	3,761	4.6	9.5
Net loan-loss provisions	(2,618)	(2,780)	(5.8)	(1.4)
Other gains (losses) and provisions	(199)	(90)	122.1	132.5
Profit before tax	1,117	892	25.2	31.0
Tax on profit	(347)	(256)	35.5	41.9
Profit from continuing operations	770	636	21.1	26.7
Net profit from discontinued operations	—	—	—	—

Consolidated profit	770	636	21.1	26.7
Non-controlling interests	218	228	(4.5)	(0.0)
Underlying attributable profit to the parent	552	408	35.4	41.7

Balance sheet

Loans and advances to customers	85,564	71,963	18.9	13.5
Cash, central banks and credit institutions	16,442	13,300	23.6	18.0
Debt instruments	13,160	13,843	(4.9)	(9.2)
Other financial assets	4,291	3,368	27.4	21.6
Other asset accounts	15,585	11,914	30.8	24.9
Total assets	135,043	114,388	18.1	12.7
Customer deposits	57,568	51,189	12.5	7.4
Central banks and credit institutions	16,505	15,884	3.9	(0.8)
Marketable debt securities	37,564	26,176	43.5	37.0
Other financial liabilities	3,098	2,503	23.8	18.2
Other liabilities accounts	3,798	3,437	10.5	5.5
Total liabilities	118,532	99,189	19.5	14.1
Total equity	16,511	15,199	8.6	3.7
Pro memoria:				
Gross loans and advances to customers ^B	83,696	75,389	11.0	6.0
Customer funds	64,239	59,329	8.3	3.4
Customer deposits ^C	56,064	50,962	10.0	5.0
Mutual funds	8,176	8,367	(2.3)	(6.7)

Ratios (%) and operating data

Underlying RoTE	4.12	3.12	0.99
Efficiency ratio	43.4	46.0	(2.6)
NPL ratio	2.92	2.79	0.13
NPL coverage	142.8	170.2	(27.4)
Number of employees	17,309	17,560	(1.4)
Number of branches	660	683	(3.4)

A. Includes exchange differences.

B. Excluding reverse repos.

C. Excluding repos.

(p) *Corporate Centre*

Strategy and functions

The Corporate Centre contributes value to the Group in various ways:

It makes the Group's governance more solid, through global control frameworks and supervision, and it fosters the exchange of best practices in management of costs and economies of scale. This enables us to be one of the most efficient banks in the sector.

The Corporate Centre contributes to the Group's revenue growth, by sharing the best commercial practices, launching global commercial initiatives and accelerating the digital transformation simultaneously in a cross-cutting manner in all countries.

It also coordinates the relationship with the European regulators and develops functions related to financial and capital management, as follows.

Financial management functions:

Structural management of liquidity risk associated with funding the Group's recurring activity, stakes of a financial nature and management of net liquidity related to the needs of some business units. The price at which these operations are made with other Group units is the market rate (euribor or swap) plus the premium which, in the concept of liquidity, the Group supports by immobilising funds during the term of the operation.

Interest rate risk is also actively managed in order to soften the impact of interest rate changes on net interest income, conducted via derivatives with high credit quality, higher liquidity and low capital consumption.

Strategic management of the exposure to exchange rates on equity and dynamic on the countervalue of the units' results in euros for the next 12 months. Net investments in equity are currently covered by EUR 23,025 million (mainly Brazil, UK, Mexico, Chile, US, Poland and Norway) with different instruments (spot, fx, forwards).

Separately from the financial management described here, the Corporate Centre manages all capital and reserves and its allocation to each of the units.

Results

Underlying attributable loss of EUR 1,721 million in 2018 down from a loss of EUR 1,889 million in 2017. The improvement was mainly due to higher gains on financial transactions (EUR 11 million in 2018 compared to a loss of EUR 227 million in 2017) resulting from lower costs of hedging of exchange rates.

Net interest income was hit by the volume of issuances made under the funding plan, largely focused on eligible TLAC instruments and costs related to the greater liquidity buffer requirements.

Administrative expenses and amortisations increased 4% as a result of two effects that offset each other: the streamlining and simplification measures and the investment in global projects for the Group's digital transformation.

Lastly, other gains (losses) and provisions recorded very different kinds of charges: provisions, intangibles, the cost of the government's guarantee on deferred taxes, pensions, litigation, impairment of financial assets, etc.

Corporate Centre - financial results (figures in EUR million)

Net fee income	(69)	(38)	82.4
Gains (losses) on financial transactions ^A	11	(227)	—
Other operating income	(23)	(104)	(78.1)
Total income	(1,028)	(1,220)	(15.7)
Administrative expenses and amortisations	(495)	(476)	3.9
Net operating income	(1,523)	(1,696)	(10.2)
Net loan-loss provisions	(115)	(45)	154.9
Other gains (losses) and provisions	(101)	(181)	(44.5)
Profit before tax	(1,739)	(1,923)	(9.6)
Tax on profit	20	32	(36.8)
Profit from continuing operations	(1,718)	(1,890)	(9.1)
Net profit from discontinued operations	—	—	—
Consolidated profit	(1,718)	(1,890)	(9.1)
Non-controlling interests	2	(1)	—
Underlying attributable profit to the parent	(1,721)	(1,889)	(8.9)

Balance sheet

Loans and advances to customers	6,508	5,326	22.2
Cash, central banks and credit institutions	6,141	400	—
Debt instruments	377	1,768	(78.7)
Other financial assets	2,113	2,116	(0.1)
Other asset accounts	124,494	122,489	1.6
Total assets	139,634	132,099	5.7
Customer deposits	234	223	5.3
Central banks and credit institutions	1	279	(99.8)
Marketable debt securities	41,783	35,030	19.3

Other financial liabilities	1,333	1,626	(18.0)
Other liabilities accounts	8,206	8,092	1.4
Total liabilities	51,557	45,248	13.9
Total equity	88,077	86,850	1.4

Resources			
Number of employees	1,764	1,784	(1.1)

A. Includes exchange differences.

Global businesses

(a) Retail Banking

Commercial activity

Santander is immersed in a digital transformation process which rests on two main priorities to continue to deliver the best customer service.

The first priority is to deliver all our products and services digitally, in order to continue strengthening the relationship with our customers. The second one is to do this in the fastest and most efficient way.

To this end, our core banks are focused on 5 key areas:

Transforming our front: to provide any product and service digitally, end to end, and adopt changes quickly.

Transforming the back: We are re-engineering, digitalising and robotising so that eventually all processes will be automated for speed and efficiency.

Evolving our IT architecture and systems: progressively evolve and modernise our existing technology to provide greater flexibility to our customers.

Onboarding new technologies: analytics, robots and machine learning to our day to day operations to understand the customer needs in our front.

Finally, we are becoming an agile and data-driven organisation. We have created the Santander Agile Way to be able to deliver products and services which better respond to customer needs, with improved time to market and greater productivity. This year, 35% of our projects implemented the agile methodology.

As regards digital platforms and apps, of note were:

In Poland, launch of Działalnosc.pl designed to support businesspeople and mSignature, a mobile app authorisation tool as an alternative for SMS code.

In Brazil, the Santander Way app is regarded as the best financial market app in the country.

The UK installed a new digital clearing system that offers customers faster clearance of cheques.

In Mexico, Súper Wallet now incorporates payment of purchases done with rewards points.

On the other hand, we are also developing new digital businesses in order to support the core banks as well as to offer disruptive products and services:

Openbank, Santander Group's fully digital bank, initially launched in Spain, began to be expanded to other countries.

OnePay Fx, based on blockchain and which makes it possible for retail customers in UK, Spain, Brazil and Poland to complete international transfers in the same day or by the next day.

Superdigital, a low-cost financial solution alternative to traditional banking, mainly focused on the unbanked population of Latin America.

Thanks to these measures, digital customers increased 26% in 2018, which already amount to half of our active customers. Loyal customers rose 15%, with an improved experience.

Regarding our branch network, the Group has a network of 13,217 branches, making it the international bank with the largest commercial network.

The Group is making progress in digitalisation, but without losing its essence as a bank. The branches will continue to be a relevant channel for customers, focusing on selling products of greater value and customer advice.

Most of these branches offer full-service banking, although the Group also has branches that offer specialised customer care to certain segments.

Because of our scale, we have unique insight into what our customers want and we are driven to create personal banking relationships thanks to our experienced team of 100,000 Santander colleagues talking to our 144 million customers.

We are innovating in the way we interact with our customers, including, for example, through the conversion of traditional bank branches into new collaborative spaces focused on customer experience and digital capacities, such as the new Work Café branches (Chile, Brazil, Spain, Portugal and Argentina), the SMART branches (Spain, the UK) and Santander Ágil in Mexico.

During 2018, the number of branches declined by 480 branches, mostly in Continental Europe due to integration processes in Spain, Santander Consumer Finance and Portugal.

Activity

Loans and advances to customers increased 3% compared to 2017 in euros. Excluding reverse repurchase agreements and the exchange rate impact, gross loans rose also 3%.

Customer deposits increased slightly (+0.3%) year-on-year in euros. Excluding repurchase agreements and the exchange rate impact, customer deposits increased 3%.

Results

Underlying attributable profit amounted EUR 7,793 million in 2018 (78% of the Group's operating areas).

Compared to 2017, underlying attributable profit increased 5% in euros. This evolution was impacted by exchange rates. Excluding this impact, profit rose 12% as follows:

Total income increased 8%, mainly driven by net interest income and net fee income. On the other hand, gains on financial transactions, which have very little weight (2%) on total revenue, rose 11%.

Administrative expenses and amortisations were 6% higher due to the ongoing commercial transformation and digitalisation process.

Net loan-loss provisions increased 13% driven by greater volumes, as credit quality ratios improved and the NPL ratio had a positive performance in almost all retail units.

Other gains (losses) and provisions improved 21% mainly due to lower provisions for legal and labour claims in Brazil.

Higher tax on profit, mainly resulting from the increase in Brazil.

Retail Banking - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	32,522	32,339	0.6	8.8
Net fee income	8,946	9,306	(3.9)	6.0
Gains (losses) on financial transactions ^A	720	680	6.0	11.0
Other operating income	644	580	11.0	15.7
Total income	42,832	42,904	(0.2)	8.3

Administrative expenses and amortisations	(19,255)	(19,677)	(2.1)	5.8
Net operating income	23,577	23,228	1.5	10.5
Net loan-loss provisions	(8,461)	(8,278)	2.2	13.0
Other gains (losses) and provisions	(1,707)	(2,394)	(28.7)	(20.7)
Profit before tax	13,408	12,555	6.8	14.6
Tax on profit	(4,329)	(3,843)	12.6	22.2
Profit from continuing operations	9,080	8,712	4.2	11.3
Net profit from discontinued operations	—	—	—	—
Consolidated profit	9,080	8,712	4.2	11.3
Non-controlling interests	1,287	1,256	2.4	8.4
Underlying attributable profit to the parent	7,793	7,456	4.5	11.7

A. Includes exchange differences.

(b) *Santander Corporate & Investment Banking*

Strategy

Main actions carried out in the year by lines:

Focus on capturing international business flows, increasing the connectivity among the countries where the Group operates and expanding the offer of high value-added products (Nexus, Mercados Américas, Private Debt Mobilisation, securitisations, etc.).

We continued to develop and integrate the factory of SCIB products for retail banking customers. As a result, collaboration revenue increased 21% in the year.

Progress was made on strengthening our franchises in the UK and the US, in order to accelerate their growth, by completing the structure under the Banking Reform Act in the UK, simplifying the corporate structure in the US and restructuring the Division's risk and credit units.

We are still immersed in transforming the technological and risk infrastructures (GIP) into a simplified, scalable and digital platform.

SCIB maintained its low capital consumption business model, with a balance sheet rotation which enabled us to reduce the volume of risk-weighted assets. Also, the implementation of measures such as the Dynamic Credit Portfolio Management helped reduce net loan-loss provisions.

Activity

Main actions performed in the year by business line:

Cash management: double-digit growth in transactional business as well as in customer funds. Santander Cash Nexus was consolidated as a solid and robust solution for our customers' regional business. We achieved a record one million transactions per month, increasing our active customer base exponentially, both in those managed by SCIB and Retail Banking.

Export finance & agency finance: Santander consolidated its leadership as one of the world's best banks by volume of managed assets. We also worked during the year in new origination in non-core markets where this business has a high potential.

Trade & working capital solutions: strong growth year-on-year due to increased international transactions among the countries where the Group operates. We consolidated our strong position in Spain, Brazil and Mexico, while expanding our business towards new markets such as the US and Asia. This growth was backed by an enhanced product range and digitalisation through platforms intended for receivables and confirming.

Debt capital markets: Santander held its significant position in Latin America, notably placements of sovereign bonds in euros in Mexico and Chile as well as corporate issuances and financial institutions such as the Brazilian Development Bank. Of note in Europe was the boost in sustainable financing and corporate issuances.

Syndicated corporate loans: of note was the acquisition of Gemalto by Thales and Westfield by Unibail, as well as the merger between Telecom Argentina and Cablevision. Also, support for sustainable financing in restructuring the assets of Enel Green Power and the loan to Generali.

Structured financing: the Group remained the leader in Latin America and Europe. We also topped the global ranking of financial advice by number of operations.

Global Markets: activity decreased slightly. Nevertheless, positive evolution of sales continued, mainly in the corporate sector, maintaining a greater contribution from management of books in Argentina, the US and Asia.

Loans and advances to customers rose 6% in euros compared to 2017. Excluding reverse repurchase agreements and the exchange rate impact, gross loans and advances to customers increased 12%.

Customer deposits decreased 1% in euros in 2018. Excluding repurchase agreements and the exchange rate impact, they grew 19%.

Ranking 2018

Source	Area	Award / Ranking
Euromoney	SCIB	Best Investment Bank in Mexico and Chile
Latin Finance	SCIB	Best Infrastructure Bank 2017 in Mexico and Brazil
Global Finance	Global Debt Financing	Best Debt Bank Latam
Infrastructure Investor	Global Debt Financing	Latin America Bank of the year
PFI	Global Debt Financing	Bank of the Year in Europe
The Banker	Global Debt Financing	Deal of the Year – Bonds SSAs: Argentina's USD 2.75 bn century bond
PFI	Global Debt Financing	Europe Wind Power Deal of the Year
Latin Finance	Global Debt Financing	Best Airport Financing: Grupo Aeroportuario de la Ciudad de México (GAMC) (Green Bond)
Global Capital	Global Markets	Best Liquidity Provider
Extel	Global Markets	N.1 Leading Brokerage Firm Spain & Portugal
FX	Global Markets	Best Bank
Extel	Global Markets	N.1 Country Research: Brokerage Firm Spain & Portugal
Institutional Investor	Global Markets	#1 Corporate Access (Research) in Mexico
Institutional Investor	Global Markets	#1 Latin America Research Team- sector winners: Equity Strategy, Electric Utilities, Transportation
Institutional Investor	Global Markets	#1 Equity Research in Iberian markets
TFR	Global Transaction Banking	Best Trade Bank in Latin America
BCR	Global Transaction Banking	Best Global Supply Chain and Receivable Finance Provider
Global Finance	Global Transaction Banking	Best Trade and Supply Chain Finance Provider in Latam
GTR	Global Transaction Banking	Best Trade Finance Bank in Latam
TXF	Global Transaction Banking	Overall ECA Finance Deal of the Year: KNPC Clean Fuels Project
TXF	Global Transaction Banking	Americas ECA Finance Deal of the Year: Zuma Energia – Parque Eólico Reynosa Wind Farm
TXF	Global Transaction Banking	ECA-Backed Telecoms Deal of the Year: Verizon Communications
MIGA	Global Transaction Banking	Women Leading Climate Finance
IJ Global	Corporate Finance	European M&A – HS1
The Banker	Corporate Finance	Deal of the Year – Equities: CFE's USD 759 mn IPO

Results

Underlying attributable profit of EUR 1,705 million (17% of the Groups' total operating areas), driven by the strength and diversification of SCIB customer revenue (89% of total revenue).

Compared to 2017, underlying attributable profit fell 4%. Excluding the exchange rate impact, it rose 8%, as follows:

Total income grew because of the 8% rise in net interest income (good performance in the fourth quarter). On the other hand, net fee income remained stable.

Lower gains on financial transactions than in 2017 whose first quarter was excellent.

Higher administrative expenses and amortisations associated with transformation projects.

Net loan-loss provisions were significantly lower, mainly in Spain, the UK, Brazil and the US.

By segments, better results from global transactional banking and global debt financing, while income from global markets decreased.

Santander Corporate & Investment Banking - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	excl. FX
Net interest income	2,378	2,442	(2.6)	7.6
Net fee income	1,512	1,627	(7.1)	0.3
Gains (losses) on financial transactions ^A	1,004	1,212	(17.2)	(5.8)
Other operating income	194	222	(12.6)	(11.1)
Total income	5,087	5,503	(7.6)	1.7
Administrative expenses and amortisations	(2,105)	(2,028)	3.8	10.7
Net operating income	2,982	3,474	(14.2)	(3.7)
Net loan-loss provisions	(217)	(690)	(68.5)	(66.1)
Other gains (losses) and provisions	(108)	(72)	49.2	64.8
Profit before tax	2,657	2,712	(2.0)	11.1
Tax on profit	(792)	(750)	5.6	21.8
Profit from continuing operations	1,865	1,962	(5.0)	7.2
Net profit from discontinued operations	—	—	—	—
Consolidated profit	1,865	1,962	(5.0)	7.2
Non-controlling interests	160	182	(12.2)	(2.8)
Underlying attributable profit to the parent	1,705	1,780	(4.2)	8.2

A. Includes exchange differences.

(c) *Wealth Management - Asset Management and Private Banking*

Strategy

The Santander Wealth Management division is the combination of two complementing businesses:

Santander Private Banking includes the private banking activity of our local banks and international private banks in order to create a single global platform and to offer our more than 170,000 Private Banking clients the Group's products and services, in a coordinated and homogeneous manner in all the countries where Santander operates. The goal is for a local private banking customer to become a customer in all the countries where we operate.

Santander Asset Management (SAM), the international asset manager strongly rooted in Europe and Latin America. With over 45 years history and present in more than 10 countries, it is focused on creating and managing the best products (mutual funds, pension funds, institutional mandates, alternative investments, etc.) for Santander customers and third parties.

The Wealth Management division launched in its first year the following strategic initiatives:

Private Banking: development of a global and connected proposition, taking advantage of Santander's presence in over 10 countries. As a result, business collaboration volumes among countries increased 19% year-on-year,

to EUR 3,727 million. Moreover, the Private Wealth (UHNW – Ultra High Net Worth) segment was launched in 2018, offering a differential service to the Group's most valued customers.

In 2018, Santander Private Banking received a record amount of awards, 64 in total. Of note were Best Private Banking in Spain by The Banker, and Best Private Banking in Latin America, Spain, Portugal, Chile, Argentina and Mexico by Euromoney. We were also recognised as the best customer service in Private Wealth, as well as the best accessible technology for bankers and customers in 4 countries and Latin America by Euromoney.

Also noteworthy, Santander became the first bank in Spain to obtain the AENOR certificate for excellence in advisory services.

Santander Asset Management (SAM) enhanced and expanded its product range. Of note was the investment strategy followed in Spain and Latin America, with awards to the best manager of equities in Spain by Citywire, and the best fixed income fund in its class in Latin America (Latin American Corporate Bond Fund). Also, launch of investment solutions in order to adapt to the customer needs, given the current market scenario.

Moreover, SAM is the leading entity in funds management under ESG (Environmental Social and Government) criteria, notably in Spain, with the launch of the new Santander Sostenible Acciones fund, and the award to Santander Responsabilidad Solidario as the best solidarity fund.

Santander Wealth Management is making progress in digital transformation, keeping pace with the rest of the Group. Tools such as Global Private Banking SPiRiT had been implemented in Mexico, Brazil and Chile and the new Virginia customer front was launched in International Private Banking. SAM started the migration of its investment platform to the most differential solution in the market: Aladdin.

Activity

Total assets under management amounted to EUR 329 billion, 2% lower than in 2017, affected by the instability in markets, which generated depreciation of assets, particularly in custody, but also in marketed investment products.

In Private Banking 6% growth in customer deposits and 12% in loans and advances to customers, driven by development of Private Wealth.

Results

Underlying attributable profit rose 11% year-on-year to EUR 528 million, up 17% excluding the exchange rate impact. By lines:

Total income rose backed by higher net interest income (+12%) and net fee income (+63%), spurred by the increase in value- added volumes under management.

Higher administrative expenses and amortisations, partly because of the investment in the Private Wealth project.

The rise in total income and expenses was affected by the larger stake in Santander Asset Management.

By units, noteworthy growth in profit in Brazil (+16%) and International Private Banking (+12%).

When the total fee income generated by this business is added to net profit, the total contribution to the Group is EUR 1,015 million, 13% more than the estimated in 2017.

Wealth Management - financial results (figures in EUR million)

Underlying income statement	2018	2017	%	% excl. FX
Net interest income	420	404	4.0	11.9
Net fee income	1,097	700	56.7	62.7
Gains (losses) on financial transactions ^A	62	38	64.5	74.2
Other operating income	(36)	70	—	—
Total income	1,543	1,212	27.3	34.1
Administrative expenses and amortisations	(730)	(528)	38.3	45.6
Net operating income	813	684	18.8	25.3

Net loan-loss provisions	(9)	(9)	(4.9)	(1.6)
Other gains (losses) and provisions	(8)	(8)	(5.3)	(2.7)
Profit before tax	797	667	19.5	26.0
Tax on profit	(234)	(165)	41.9	49.5
Profit from continuing operations	563	502	12.1	18.3
Net profit from discontinued operations	—	—	—	—
Consolidated profit	563	502	12.1	18.3
Non-controlling interests	35	24	42.0	54.0
Underlying attributable profit to the parent	528	478	10.6	16.5

A. Includes exchange differences.

(d) *Real estate activity Spain*

At the end of 2018, the gross exposure in the Real Estate Activity Spain unit stood at EUR 9.3 billion and loan-losses allowances of EUR 4.6 billion (coverage of 50%).

The net exposure was EUR 4.7 billion, representing just 1% of our balance sheet in Spain.

Management continued to focus on reducing these assets, particularly loans and foreclosed assets.

As announced after the acquisition of Banco Popular, and in order to reduce the Group's non-performing assets to irrelevant levels, on 8 August 2017 Banco Popular signed agreements with the Blackstone fund for the acquisition by the fund of 51% of Banco Popular's real estate business, and thus control over it. This business consists of the foreclosed real estate portfolio, non-performing loans stemming from the real estate sector and other assets related to Banco Popular's activity and that of its subsidiaries.

The transaction was closed as expected, in the first quarter of 2018, once the required regulatory authorisations were obtained, which allowed Santander to focus on the integration of Banco Popular and mitigate uncertainties regarding possible additional losses related to real estate exposure.

Closing the transaction entailed the creation of a company controlled by Blackstone fund, in which Santander has a 49% stake, to which Banco Popular transferred the business comprising the aforementioned assets and 100% of the share capital of Aliseda.

Additionally, during the third quarter of 2018, the Group reached agreement with a subsidiary of Cerberus Capital Management to sell 35,700 properties for EUR 1,535 million, with no material impact on profit and capital expected. This transaction is scheduled to be completed by the first quarter of 2019.

This unit recorded an underlying attributable loss of EUR 242 million in 2018, compared to a loss of EUR 308 million in 2017.

This performance was largely due to lower net loan-loss provisions (EUR -18 million) due to reduced provision needs and the lower negative impact of other gains (losses) and provisions (EUR -83 million), largely because of lower losses from the sale of foreclosed assets.

Real estate activity Spain - financial results (figures in EUR million)

Underlying income statement	2018	2017	%
Net interest income	(33)	(38)	(14.4)
Net fee income	(0)	2	—
Gains (losses) on financial transactions ^A	0	(0)	—
Other operating income	23	29	(20.3)
Total income	(10)	(8)	28.8
Administrative expenses and amortisations	(194)	(209)	(7.2)
Net operating income	(204)	(217)	(5.8)
Net loan-loss provisions	(70)	(88)	(20.4)
Other gains (losses) and provisions	(73)	(156)	(53.5)
Profit before tax	(347)	(461)	(24.8)
Tax on profit	104	138	(25.1)
Profit from continuing operations	(243)	(323)	(24.6)

Net profit from discontinued operations	—	—	—
Consolidated profit	(243)	(323)	(24.6)
Non-controlling interests	(2)	(15)	(89.4)
Underlying attributable profit to the parent	(242)	(308)	(21.5)

A. Includes exchange differences

Real estate exposure net valueA
EUR billion

	Dec-2018
Real estate assets	3.8
- Foreclosed	2.6
- Rentals	1.2
Non-performing real estate loans	0.9
Assets + non-performing real estate	4.7

A. Real estate activity Spain.

6.1.2 ***An indication of any significant new products and/or activities.***

Marketing of products and services

Product governance and consumer protection functions

The product governance and consumer protection office's objective is the 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, based on the corporate framework and a set of policies that defines the basic principles and rules of action in this area:

- Framework:

Corporate commercialization of products and services and consumer protection framework: defines the key terms for an adequate management and control of risks arising from the commercialisation, distribution, encompassing all phases (design, sale and post-sale).

- Functions:

- (i) To foster the adherence of the units to the above-mentioned corporate framework.
- (ii) To facilitate the functions of the corporate commercialization 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 gather from local units (and analyse and report to the Group's governance bodies) the information needed to adequately monitor and analyse product and service commercialization risk throughout the entire life cycle and of complaints, with a twofold purpose: possible impact on customers and over the Group. To identify and follow up on actions taken to mitigate the detected risks.
- (iv) To identify and disclose the best practises for commercialization, marketing and consumer protection.
- (v) To preserve internal consumer protection, with the objective of improving relations with the Group, effectively promoting their rights, facilitating a solution to any controversies, in accordance with best practices through any channel and fostering financial knowledge. The objective is to contribute to lasting relationships with customers.
- (vi) To 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 risks are considered to be risks incurred when acting as the trustee or

manager of third party assets. Improper management or administration of assets could cause losses for the customer, and the trustee may be held responsible for such losses, and will face the ensuing economic or reputational impact. Fiduciary risk is considered to be that arising from the management of financial instruments on behalf of customers. Fiduciary risk management includes the admission and monitoring of products, and the exposure and performance of the assets of customer managed by the Group or whose management is delegated to a third party.

(vii) To establish and maintain methodologies to assess marketing risks and follow up on such assessment.

(viii) To analyse and consolidate complaint information and management thereof from Group units.

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, Santander Investment Securities, Banco Santander International and the Santander branch in New York.

The corporate centre segment incorporates the centralized activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's Assets and Liabilities Committee, as well as management of liquidity and of shareholders' equity through securities 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 Santander Group. As of 31 December 2018, the Group comprised 719 subsidiaries of Banco Santander, S.A. There are also another 170 companies

which are related Group companies, multi-group companies or stock-exchange listed companies in which the Group owns more than 5% (these do not include subsidiaries or those of insignificant interest from the standpoint of the true and fair view which must be set forth in the consolidated financial statements).

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

Overview

The forward-looking statements included in this section are based on the current beliefs and expectations of our management, including the macroeconomic expectations described below, and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Group's actual results to differ materially from those set forth in such forward-looking statements. See "Cautionary Notice Regarding Forward-Looking Statements" and "Risk Factors".

The global economy slowed in 2018 and left behind the peak of this expansion, although it is expected that a relatively dynamic environment will be maintained. Global economic growth is forecast at 3.5% in 2019 (3.7% estimate for 2018), slightly above its potential, although resulting from a less homogeneous performance by regions.

Mature economies are estimated to grow 2.0% (2.3% estimate for 2018), thanks to demand policies and the strength of the labour market. Growth in both the US and the Eurozone will ease, as well as the UK in the context of Brexit.

Developing economies will grow by around 4.5%, slightly below the 4.6% estimated for 2018. China's expansive measures, adopted at the expense of a more determined correction of the imbalances, will enable the economy to gradually slow down.

In Latin America, the capacity to recover or secure the credibility of economic policy will play a key role. However, it is expected that the recovery begun in 2017 will consolidate, with growth of around 2% in 2019, underpinned by the recovery in Brazil and Chile's ongoing dynamism. Argentina, meanwhile, is expected to gradually recover following reforms and the improvement in market confidence. Mexico will continue to grow moderately.

Mature markets are expected to withdraw monetary policy stimulus measures very slightly and conditional on the economic and financial performance in an uncertain environment. However, any stimulus withdrawal process will be, in any case, very gradual.

Long-term interest rates are expected to increase moderately. Yield curves show diverging trends, with some flattening in the US and a greater slope in Europe expected.

Interest rates in developing markets will perform differently, particularly in Latin America where each country's monetary policies will depend on the cyclical situation and on the evolution of actual and expected inflation.

In any case, the fact that the recovery is moderate and inflation remains low, partly due to structural factors, suggests that interest rate movements, upward or downward, will be limited.

The balance of risks in the short term is downward: the probability of a geopolitical or economic policy shock, particularly in the US and Europe, has increased, which if it happens will lead to a potentially sharper downward revision. The situation in China or unstable financial conditions are other risk factors. In this context, we have seen increased volatility and risk aversion.

In this environment, Santander ended the year having met all of the main targets set for 2015-2018: growth, profitability and strength. The number of loyal and digital customers rose, and volumes in local

currency increased. Profitability was higher and RoTE and efficiency improved. Also, the capital position was strengthened, while growing cash dividend per share.

Banco Santander's solid position in 10 core markets is balanced between mature and developing economies. It has 144 million customers and the scale to continue growing, which puts the Bank in a solid position to draw on the opportunities offered by the environment.

In 2019 we will rely on the same pillars that had guided the Group in the last three years. Our aim as a bank is to be the best open financial services platform by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities.

The management priorities of the principal units for 2019 are set out below:

Europe

Spain

The economy is forecast to grow by around 2.1% in 2019, higher than that envisaged for the Eurozone, and inflation will remain low. Lending will gradually increase as the year progresses.

The priorities for this year are:

- To keep our leadership by balance sheet in Spain and complete Banco Popular's integration, maintaining quality service and customer relationship.
- Accelerate the Bank's digital transformation towards a data- driven company in order to improve the customer experience.
- Keep on growing SMEs and corporate segments backed by Banco Popular's capabilities, Santander's high added-value services and our competitive advantage in digital banking for companies.
- Increase customer revenue and obtain cost synergies related to Banco Popular's integration.
- Continue to reduce doubtful assets, leveraging on our capital light model.
- The Real estate activity Spain unit will continue its strategy to reduce assets and lending exposure.

Santander Consumer Finance

SCF seeks to take advantage of its growth potential, backed by its position in the European consumer market. The main priorities will be:

- Maintain the leadership position in new auto financing and boost growth in consumer finance through our new digital business model and signing agreements with the main retailers.
- Proactive management of brand agreements and development of digital projects. Collaboration with fintechs.
- Help our partners with their transformation plans, both in the digitalisation of auto purchase and financing as well as in other strategic projects.
- Reorganise business in Germany under the same brand, in order to improve efficiency and offer better customer attention.
- Maintain high profitability and efficiency.

Poland.

Economic growth is expected to be stronger in 2019 at around 4%, mainly underpinned by buoyant domestic demand driven by domestic consumption and investment.

The goals to become the reference bank for individuals and companies are:

- Develop a new value proposition / product offer and improve the customer experience.
- Solid corporate culture in order to strengthen employee engagement and motivation in order to become one of the best banks to work for in Poland.
- Become a more agile organisation in order to increase customer loyalty and retention, by accelerating the development and launch of products and services to the market. Enhance our position in Private Banking and Asset Management.

Portugal

GDP growth will begin to ease in 2019 to around 2%, with improved investment and exports and further deleveraging of the private and public sectors.

In this scenario, the Bank's priorities are:

- Keep on growing organically, gaining profitable market share, reinforcing our position as the largest privately owned bank in Portugal and leveraging our position in the companies segment.
- Focus on growing customer funds, particularly off-balance sheet funds.
- Combine volume growth with low cost of credit.
- Improve efficiency, obtaining additional synergies from Banco Popular Portugal integration.
- Progress in our digital transformation and streamlining workflow.

United Kingdom

The economy is expected to grow moderately in 2019 at around 1.5%, under an ordered exit from the EU. The uncertainty over Brexit could affect growth, the value of pound sterling and thus inflation. The Bank of England will adjust monetary policy regarding the impact of Brexit on demand, supply and exchange rate.

Against this backdrop, Santander UK priorities are:

- Become the UK's best open digital bank in order to deliver operational excellence and maximise efficiency and customer satisfaction.
- Generate growth through increased loyalty across target business segments.
- Achieve constant profitability with a solid balance sheet and prudent risk management.
- UK banking environment faces major regulatory changes. Open Banking and PSD II (Payment Services Directive) introduced new requirements in 2018, which will bring business opportunities but they also introduced a new level of risk.

America

Brazil

After returning to growth in 2017 and 2018, following one of the biggest slumps in recent decades, the economy is expected to consolidate its recovery in 2019 with growth of more than 2%, above the 1.3% estimated for 2018.

In this environment Santander Brasil's management focus for the coming year will be:

- Increase customer satisfaction and loyalty across all business segments.

- Continuous evolution and wider offer of disruptive products and services, and develop digital channels.
- Keep on gaining market share, with growth in loans though a suitable offer for each customer.
- Grow in a recurring and profitable way, with efficiency and cost of credit improvement.

Mexico

We expect GDP growth to drop below 2% in 2019 (2.0% estimated for 2018), still hit by the shrinking of the oil sector and some uncertainty over the economic policies.

Against this backdrop, Santander Mexico's strategy will:

- Continue the retail banking transformation: attraction and loyalty drivers, enhancing our attention model and expand new businesses (Súper Auto, Private Wealth and financial inclusion).
- Drive digitalisation, remote attention models and the customer experience, in addition to improving information systems and analysis.
- Focus on attracting payrolls, drawing on our strong presence in the SMEs, companies and corporate segments.
- Promote SCIB business in order to continue to be the reference in the market in value-added products.
- All these measures should be reflected in recurrent revenue and volume growth.

Chile

The economy will remain strong in 2019 with growth forecast at 3.5%.

Santander Chile's strategy will focus on:

- Become the transactional bank of excellence with the best digital platform for companies.
- Continue improving quality of service indicators and grow loyal and digital customers.
- Significant growth in loans and customer funds.
- Improve our profitability, efficiency and the cost of credit.

Argentina

Growth is expected to stabilise in 2019 after falling in 2018, and inflation to ease, in an environment of fiscal adjustment and a tight monetary policy.

The management priorities at Santander Río will focus on:

- Continue improving our value offer focusing on the select, SMEs advance and mid-income segments.
- Gradual transformation of the branch network to a technology- centred model, focused on improving the customer experience.
- Launch Openbank, the Group's fully digital bank.
- Action plans to generate savings and improve efficiency.
- Opening of the new building which will house the central areas, with new working spaces for boosting innovation, productivity and team work.

United States

Growth is expected to stabilise in 2019 after falling in 2018, and inflation to ease, in an environment of fiscal adjustment and a tight monetary policy.

The management priorities at Santander Río will focus on:

- Continue improving our value offer focusing on the select, SMEs advance and mid-income segments. Gradual transformation of the branch network to a technology- centred model, focused on improving the customer experience.
- Launch Openbank, the Group's fully digital bank.
- Action plans to generate savings and improve efficiency.
- Opening of the new building which will house the central areas, with new working spaces for boosting innovation, productivity and team work.

Santander Corporate & Investment Banking

This division will continue its business strategy:

- Leverage on our customer-centric model, to drive faster penetration of our franchise and growth in retail banking business (collaboration revenue).
- Strengthen the global value proposition, focusing on boosting the US, the UK and Continental Europe businesses.
- Continue the implementation of the Global Infrastructure Programme ("GIP"), following the regulatory agenda, while embracing the digital transformation.
- Maintain disciplined use of capital, while keeping strict cost control.

Wealth Management

In 2019 we expect to generate substantial growth, including the investments needed to continue improving our value offer. The key management drivers will be:

- Consolidate Private Wealth (UHNW) model and value offer.
- Complete the construction of our private banking global platform in order to reinforce our global proposition for greater connection, taking advantage of our presence in over 10 countries.
- Consolidate the model and value offer for institutional clients in Santander Asset Management ("SAM"), in coordination with Santander Corporate & Investment Banking, focusing on Latin American products and infrastructures.
- Continue improving and offering a wider range of products at SAM, developing new solutions in alternative products (private debt and private equity funds of funds) and completing the offer through strategic agreements with top level specialised management firms.
- Improve digitalisation through the implementation of Global Private Banker tools, the new front for customers, as well as the investment platform Aladdin at SAM.
- In 2019, the insurance business will be included in this unit, which will focus on capturing the potential of this business for the Group in all segments where there is an opportunity. In 2018 this business made a total contribution (profit after tax and generated fees) to the Group's profit of EUR 1.4 billion.

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 since 31 December 2018.

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 U.K., 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 U.K., the U.S., other European countries, Brazil, other Latin American countries, and increase of the volatility in the capital markets;
- the effects of a continued decline in real estate prices, particularly in Spain and the U.K.;
- the effects of results of the UK's referendum on membership in the European Union;
- monetary and interest rate policies of the European Central Bank and various central banks;
- inflation or deflation;
- the effects of non-linear market behavior 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

Political and Governmental Factors

- political stability in Spain, the U.K., other European countries, Latin America and the U.S.;
- changes in Spanish, U.K., E.U., U.S., Latin American, or other jurisdictions' laws, regulations or taxes, including changes in regulatory capital and liquidity requirements, including as a result of the UK exiting the E.U.; 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;
- the impact of changes in the composition of our balance sheet on future interest income/(charges); and
- potential losses associated with cyber attacks.

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 17 and the minimum number 12.

The Board of Directors of the Guarantor is presently made up of 15 directors. However, the Bank's Annual General Meeting, on 12 April 2019, appointed Mr. Henrique de Castro as an independent director. Once the required authorisation of the supervisor is obtained and this appointment is effective, the board will have 15 members.

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,

<i>Board of directors</i>	Executive committee	Audit committee	Appointments committee	Remuneration committee	Risk supervision, regulation and compliance committee	Innovation and technology committee	Responsible Banking, Sustainability and Culture 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				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 28.03.2014 07.04.2017

Vice-chairman and Chief Executive Officer Mr. José Antonio Álvarez Álvarez										25.11.2014	07.04.2017 12.04.2019
Vice-chairman Mr. Bruce Carnegie-Brown			C	C					I	25.11.2014	18.03.2016 12.04.2019
Members											
Ms. Homaira Akbari									I	27.09.2016	23.03.2018
Mr. Ignacio Benjumea Cabeza de Vaca									E	30.06.2015	23.03.2018
Mr. Javier Botín-Sanz de Sautuola y O'Shea									E	25.07.2004	18.06.2005 11.06.2010 22.03.2013 18.03.2016 12.04.2019
Mr. Álvaro Antonio Cardoso de Souza									I	23.03.2018	
Ms. Sol Daurella Comadrán									I	25.11.2014	18.03.2016 23.03.2018
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 07.04.2017
Vice-chairman Mr. Guillermo de la Dehesa Romero									E	24.06.2002	18.06.2005 19.06.2009 22.03.2013 27.03.2015 23.03.2018
Mr. Carlos Fernández González									I	25.11.2014	27.03.2015 23.03.2018
Ms. Esther Giménez-Salinas i Colomer									I	30.03.2012	28.03.2014 07.04.2017
Ms. Belén Romana García		C							I	22.12.2015	07.04.2017
Mr. Ramiro Mato García-Ansorena							C		I	28.11.2017	12.04.2019
General secretary and secretary of the board Mr. Jaime Pérez Renovales ⁱ										01.09.2015	-

C: Chairman of the committee I: Independent E: External, neither proprietary nor independent

ⁱ Not director.

Principal Activities Outside the Guarantor

At the date of this document, the current directors of the Guarantor at the date hereof carry out among others the following functions in other listed companies:

Name or corporate name of Director	Name of listed company	Position
Ms. Ana Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	Non-executive director
Mr. Bruce Carnegie-Brown	Moneysupermarket.com Group Plc	Non-executive chairman
Mr. Rodrigo Echenique Gordillo	Industria de Diseño Textil, S.A. "INDITEX, S.A."	Non-executive director
Mr. Guillermo de la Dehesa Romero	Amadeus IT Group, S.A.	Non-executive vice chairman
Ms. Homaira Akbari	Veolia Environnement, S.A. Landstar System, Inc. Gemalto N.V.	Non-executive director Non-executive director Non-executive director
Ms. Sol Daurella Comadrán	Coca-Cola European Partners Plc	Non-executive chairman
Mr. Carlos Fernández González	Inmobiliaria Colonial, S.A. AmRest Holdings SE	Non-executive director Supervision board member
Ms. Belén Romana García	Aviva plc.	Non-executive director

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.*

None of the members of the Board of Directors or persons related to them perform, as independent professionals or as employees, activities that involve effective competition, be it present or potential, with the activities of Banco Santander, S.A., or that, in any other way, place the directors in an ongoing conflict with the interests of Banco Santander, S.A.

Without prejudice to the foregoing, following is a detail of the declarations by the directors with respect to their equity interests in companies not related to the Group whose object is banking, financing or lending; and of the management or governing functions, if any, that the directors discharge thereat.

With regard to situations of conflict of interest, as stipulated in Article 36.1.b.vi of the Rules and Regulations of the Board, the directors must notify the board of any direct or indirect conflict with the interests of the Bank in which they or persons related thereto may be involved. The director involved shall refrain from taking part in discussions or voting on any resolutions or decisions in which the director or any persons related thereto may have a conflict of interest.

Also, under Article 40 of the Rules and Regulations of the Board, following a favourable report by the audit committee, the board must authorise the transactions which the Bank performs with directors (unless the power to approve them is vested by law in the general meeting), excluding the transactions indicated in Article 40.2.

Accordingly, the related party transactions performed during the year met the conditions established in the Rules and Regulations of the Board not to require authorisation of the governing bodies, or obtained such authorisation, following a favourable report by the audit committee, after confirming that the consideration and the other conditions agreed upon were within market parameters.

In addition, other directors abstained from participating in and voting on the deliberations of the meetings of the Board of Directors or the board committees on 60 occasions in 2018. The breakdown of these 60 cases is as follows: 26 related to proposals for the appointment, re-election or removal of directors, or the appointment of members of the board committees or committees in Group companies; 30 related to matters connected with remuneration or the extension of loans or the granting of loans or credits; 1 related to the matter concerned the discussion of a risk transaction involving a party related to a director; and on 3 occasions the abstention occurred in connection with the annual verification of the directors' status which, pursuant to Article 6.3 of the Rules and Regulations of the Board, was performed by the appointments committee.

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 nine members (at the date of this Base Prospectus there are four members: Ms Homaira Akbari, Mr Carlos Fernández González, Mr Ramiro Mato García-Ansorena and its chairman Ms Belén Romana García; the secretary (not a member) is Jaime Pérez Renovales). Members of the Audit Committee are selected by the Board with reference to their knowledge, aptitude and experience in areas of finance, accounting, auditing, internal control, information technology, business or risk management matters. The Audit Committee must be chaired by an independent member of the Board who must be a "financial expert" and 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 independent directors.

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 2018, 1.134% 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 paragraph (1) 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 2018 and 2017 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 2017 and 2018 financial years were audited by the independent audit firm PricewaterhouseCoopers Auditores, S.L. There are no qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2017 and 2018 financial years.

The Guarantor also prepares condensed consolidated interim financial statements. The unaudited condensed consolidated interim Income Statement and Balance Sheet of the Guarantor as at and for the three months ended 31 March 2019 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 2017 and 2018 financial years were audited by the independent audit firm PricewaterhouseCoopers Auditores, S.L..

There are no qualifications of the auditors in relation to the individual and consolidated 2017 and 2018 annual Financial Statements referred to above.

13.3.2 An indication of other information relating to the guarantor in this Base Prospectus which has not been audited by the auditors.

The information contained in "*Business Overview*" above is not audited and was obtained from the internal accounting records and management records of the Guarantor.

The Guarantor considers the following metrics to constitute Alternative Performance Measures as defined in the ESMA Guidelines introduced on 3 July 2016 ("**ESMA Guidelines**") on Alternative Performance Measures, that are not required by, or presented in accordance with, IFRS-EU.

The Guarantor considers that these metrics provide useful information for investors, securities analysts and other interested parties in order to better understand the Group's business, financial position, profitability, results of operations, the quality of its loan portfolio, the amount of equity per share and their progression over time.

Such measures should, however, not be considered as a substitute to profit or loss attributable to the Group or any other performance measures derived in accordance with IFRS-EU or as an alternative to cash flow from operating, investing and financing activities as a measure of the Group's liquidity.

Other companies in the industry may calculate similarly titled measures differently, such that disclosure of similarly titled measures by other companies may not be comparable with that of the Issuer and the Group. Investors are advised to review these alternative performance measures in conjunction with the Group's audited consolidated financial statements and accompanying notes which are incorporated by reference in this Base Prospectus.

Terms relating to profitability and return on investment measure the ratio of results on capital, assets and risk-weighted assets in accordance with the definitions set out in the table below. The efficiency ratio makes it possible to measure the amount of general administrative expenses (personnel and others) and amortisation expenses necessary to generate income.

Terms relating to the non-performance of loans measure the quality of the loan portfolio and the percentage of the non-performing portfolio that is covered by provisions for defaults, in accordance with the definitions set out in the table below.

Ratio	Formula	Relevance of the metric
NPL ratio (Non-performing loans ratio)	$\frac{\text{Non-performing loans and advances to customers, customer guarantees and customer commitments granted}}{\text{Total Risk}^A}$	The NPL ratio is an important variable regarding financial institutions' activity since it gives an indication of the level of risk the entities are exposed to. It calculates risks that are, in accounting terms, declared to be non-performing as a percentage of the total outstanding amount of customer credit and contingent liabilities.
Coverage ratio	$\frac{\text{Provisions to cover impairment losses on loans and advances to customers, customer guarantees and customer commitments granted}}{\text{Non-performing loans and advances to customers, customer guarantees and customer commitments granted}}$	The coverage ratio is a fundamental metric in the financial sector. It reflects the level of provisions as a percentage of the non-performing assets (credit risk). Therefore it is a good indicator of the entity's solvency against client defaults both present and future.
Cost of Credit	$\frac{\text{Loan-loss provisions over the last 12 months}}{\text{Average loans and advances to customers over the last 12 months}}$	This ratio quantifies loan-loss provisions arising from credit risk over a defined period of time for a given loan portfolio. As such, it acts as an indicator of credit quality.

A. Total risk = Total loans & advances and guarantees to customers (performing and non-performing) + non-performing contingent liabilities.

Credit risk	2018	2017	2016
NPL ratio	3.73%	4.08%	3.93%
Non-performing loans and advances to customers, customer guarantees and customer commitments granted	35,692	37,596	33,643
Total risk	958,153	920,968	855,510
Coverage ratio	67.4%	65.2%	73.8%
Provisions to cover impairment losses on loans and advances to customers, customer guarantees and customer commitments granted	24,061	24,529	24,835
Non-performing loans and advances to customers customer guarantees and customer commitments granted	35,692	37,596	33,643
Cost of credit	1.00%	1.07%	1.18%
Net loan-loss provisions over the last 12 months	8,873	9,111	9,518
Average loans and advances to customers over the last 12 months	887,028	853,479	806,595

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.

Other than information extracted from the Guarantor's audited financial statements, no other information relating to the Guarantor in this Base Prospectus has been audited by PricewaterhouseCoopers Auditores, S.L.

The date of the most recent audited annual consolidated financial information of the Guarantor is 31 December 2018.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2017 and 31 December 2018 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 2018.

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.

This Base Prospectus is dated less than nine months after the end of the last audited financial year.

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 12 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

The main tax-related proceedings concerning the Group were as follows:

- Legal actions filed by Banco Santander (Brasil) S.A. and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9% to 15% stipulated by Interim Measure 413/2008, ratified by Law 11.727/2008, a provision having been recognized for the amount of the estimated loss. Due to recent unfavorable decisions of the courts, the Group in Brazil has withdrawn their actions and paid the amount claimed, using the existing provision.
- Legal actions filed by Banco Santander (Brasil) S.A. and other Group entities to avoid the application of Law 9.718/98, which modifies the basis to calculate the Program of Social Integration ("PIS") and Contribution for the Financing of Social Security ("COFINS") social contributions, extending it to all the entities income, and not only to the income from the provision of services. In relation of Banco Santander (Brasil) S.A. process, in May 2015 the Federal Supreme Court ("FSC") admitted the extraordinary appeal filed by the Federal Union regarding PIS, and dismissed the extraordinary appeal lodged by the Brazilian Public Prosecutor's Office regarding COFINS contribution, confirming the decision of Federal Regional Court favorable to Banco Santander (Brasil) S.A. The appeals filed by the other entities before the Federal Supreme Court, both for PIS and COFINS, are still pending. The risk is classified as possible and there is a provision for the amount of the estimated loss.
- Banco Santander (Brasil) S.A. and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (IRPJ and CSLL) in relation to different administrative process of various years on the ground that the requirements under the applicable legislation were not met. The appeals are pending decision in the Brazilian Tax Appeal Administrative Council ("CARF"). No provision was recognised in connection with the amount considered to be a contingent liability.
- Banco Santander (Brasil) S.A. and other Group companies in Brazil are involved in 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. There are several cases in different judicial instances. No provision was recognized in connection with the amount considered to be a contingent liability.
- Banco Santander (Brasil) S.A. and other Group companies in Brazil are involved in 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. There are several cases in different judicial instances. A provision was recognized in connection with the amount of the estimated loss.
- In May 2003 the Brazilian tax authorities issued separate infringement notices against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. (DTVM, currently Santander Brasil Tecnologia S.A.) and Banco Santander (Brasil) S.A. in relation to the Provisional Tax on Financial Movements (CPMF) of the years 2000, 2001 and part of 2002. In July 2015, after the unfavorable decision of CARF, both entities appealed at Federal Justice in a single proceeding. There is a provision recognised for the estimated loss.
- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros S.A. (Brasil), currently Zurich Santander Brasil Seguros e Previdência S.A., as the successor by merger to ABN AMRO Brasil dois Participações S.A., in relation to income tax (IRPJ and CSLL) for 2005, questioning the tax treatment applied to a sale of shares of Real Seguros, S.A.. The bank appealed before the CARF. As the former parent of Santander Seguros S.A. (Brasil), Banco Santander (Brasil) S.A. is liable in the event of any adverse outcome of this proceeding. No provision was recognized in connection with this proceeding as it is considered to be a contingent liability.
- In November 2014 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. in relation to corporate income tax (IRPJ and CSLL) for 2009

questioning the tax-deductibility of the amortization of the goodwill of Banco ABN AMRO Real S.A. performed prior to the absorption of this bank by Banco Santander (Brasil) S.A., but accepting the amortization performed after the merger. The bank appealed before the Higher Chamber of CARF. No provision was recognized in connection with this proceeding as it was considered to be a contingent liability.

- Banco Santander (Brasil) S.A. has also appealed against infringement notices issued by the tax authorities questioning the tax deductibility of the amortization of the goodwill arising on the acquisition of Banco Comercial e de Investimento Sudameris S.A. from 2007 to 2012. No provision was recognized in connection with this matter as it was considered to be a contingent liability.
- Banco Santander (Brasil) S.A. and other companies of the Group in Brazil are undergoing administrative and judicial procedures against Brazilian tax authorities for not admitting tax compensation with credits derived from other tax concepts, not having registered a provision for such amount since it is considered to be a contingent liability.
- Banco Santander (Brasil) S.A. is involved in appeals in relation to infringement notices initiated by tax authorities regarding the offsetting of tax losses in the CSLL ('Social Contribution on Net Income') of year 2009. The appeal is pending decision in CARF. A provision was recognized in connection with the amount of the estimated loss.
- Legal action brought by Sovereign Bancorp, Inc. (currently Santander Holdings USA, Inc.) claiming its right to take a foreign tax credit for taxes paid outside the United States in fiscal years 2003 to 2005 as well as the related issuance and financing costs. On 17 July 2018, the District Court finally ruled against Santander Holdings USA, Inc. Final resolution is anticipated within the coming months, with no effect on income, as it is fully provisioned.
- Banco Santander has appealed before European Courts the Decisions 2011/5/CE of 28 October 2009, and 2011/282/UE of 12 January 2011 of the European Commission, ruling that the deduction regulated pursuant to Article 12.5 of the Corporate Income Tax Law constituted illegal State aid. On November 2018 the General Court confirmed these Decisions but these judgements have been appealed at the Court of justice of the European Union. The Group has not recognised provisions for these suits since they are considered to be a contingent liability.

At the date of approval of this Base Prospectus certain other less significant tax-related proceedings were also in progress.

Non-tax-related proceedings

The main non-tax-related proceedings concerning the Group as at 31 December 2018 were as follows:

- Payment Protection Insurance (PPI): claims associated with the sale by Santander UK plc of payment protection insurance or PPI to its customers. As of 31 March 2019, the remaining provision for PPI redress and related costs amounted to GBP 219 million (EUR 255 million). This provision represents management's best estimate of Santander UK plc future liability in respect of mis-selling of PPI policies and is based on recent claims experience and consideration of the FCA policy statement PS19/2 (Previously rejected PPI complaints and further mailing requirements – Feedback on Cp18/33 and final rules and guidance). It has been calculated using key assumptions such as the estimated number of customer complaints received, the number of rejected misselling claims that will be in scope for Plevin and Recurring Non Disclosure of Commission redress, and the determination of liability with respect to a specific portfolio of claims. The provision will be subject to continuous review, taking into account the impact of any further claims received and FCA guidance.
- Delforca: dispute arising from equity swaps entered into by Gaesco (now Delforca 2008, S.A.) on shares of Inmobiliaria Colonial, S.A. The bank is claiming to Delforca a total of EUR 66 million from the liquidation of the swaps. Two arbitration proceedings were instigated before the Spanish Court of Arbitration with an outcome of two awards in favor of the Bank. However, these two arbitration awards were annulled for procedural issues. Mobiliaria Monesa, S.A. (Delforca's parent company) has commenced a civil proceeding against the

Bank claiming damages which, as of date have not been determined. The proceeding has been stayed because the jurisdiction of the Court has been challenged. Within insolvency proceedings before the Commercial Court, both Delforca and Mobiliaria Monesa have instigated a claim against the Bank seeking the recovery of EUR 56.8 million that the Bank received from the liquidation of the swap. The Bank has not recognised any provisions in this connection.

- 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) requesting the payment of a half-yearly bonus contemplated in the by-laws of Banespa in the event that Banespa 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 Banespa had not made a profit during those years. Partial payments were made from 1996 to 2000, as approved by the Board of Directors. The relevant clause was eliminated in 2001. The Regional Labor Court and the High Employment Court ordered Santander Brasil, as successor to Banespa, to pay this half-yearly bonus for the period from 1996 to the present. On 20 March, 2019, a decision from the Federal Court of Justice (Supremo Tribunal Federal, or "STF") rejected the extraordinary appeal filed by Santander Brasil. We intended to bring a rescission action and/or a final appeal to revert the decision in the main proceedings and suspend procedural enforcement. Our legal advisers have classified the risk of loss as possible. The current court decision does not define a specific amount to be paid by the defendants (this would only be determined once a final decision is issued and the enforcement process has begun).
- "Planos Económicos": like the rest of the banking system in Brasil, Santander Brasil has been the target of customer complaints and collective civil suits stemming from legislative changes and its application to bank deposits, fundamentally ('economic plans'). At the end of 2017, there was an agreement between regulatory entities and the Brazilian Federation of Banks (Febraban), already approved by the Supremo Tribunal Federal, with the purpose of closing the lawsuits. Discussions focused on specifying the amount to be paid to each affected client according to the balance in their notebook at the time of the Plan. Finally, the total value of the payments will depend on the number of endorsements they have made and the number of savers who have demonstrated the existence of the account and its balance on the date the indexes were changed. In November 2018, the STF ordered the suspension of all economic plan processes for two years from February 2018. The provisions recorded for the economic plan processes are considered sufficient.
- CNMC: after an administrative investigation on several financial entities, including Banco Santander, S.A., in relation to possible collusive practices or price-fixing agreements, as well as exchange of commercially sensitive information in relation to financial derivative instruments used as hedge of interest rate risk for syndicated loans, on 13 February 2018, the Competition Directorate of the Spanish "National Commission for Antitrust and Markets" (CNMC) published its decision, by which it fined the Bank and another three financial institutions with EUR 91 million (EUR 23.9 million for the Bank) for offering interest rate derivatives in breach of Articles 1 of the Spanish Act 15/2007 on Defence of Competition and 101 of the Treaty of Functioning of the European Union. According to the CNMC, there is evidence that there was coordination between the hedging banks/lenders to coordinate the price of the derivatives and offer clients, in each case, a price different from the "market price". This decision has been appealed before the Spanish National Court by the Bank that has already paid the fine.
- Floor clauses ("cláusulas suelo"): As a consequence of the acquisition of Banco Popular, S.A.U, the Group has been exposed to a material number of transactions with floor clauses. The so-called "floor clauses" or minimum clauses are those under which the borrower accepts a minimum interest rate to be paid to the lender, regardless of the applicable reference interest rate. Banco Popular Español, S.A.U. included "floor clauses" in certain asset transactions with customers. In relation to this type of clauses, and after several rulings made by the Court of Justice of the European Union and the Spanish Supreme Court, and the extrajudicial process established by the Spanish Royal Decree-Law 1/2017, of 2 January, Banco Popular Español, S.A.U. made extraordinary provisions that were updated in order to cover the effect of the potential return of the excess interest charged for the application of the floor clauses between

the contract date of the corresponding mortgage loans and May 2013. The Group considered that the maximum risk associated with the floor clauses applied in its contracts with consumers, in the most severe and not probable scenario, would amount to approximately EUR 900 million, as initially measured and without considering the returns performed. For this matter, after the purchase of Banco Popular Español, S.A.U., EUR 379 million provisions have been used by the Group (EUR 238 million in 2017 and EUR 119 million in 2018) mainly for refunds as a result of the extrajudicial process mentioned above. As of 31 March, 2019, the amount of the Group's provisions in relation to this matter amounts to EUR 82 million which covers the probable risk.

- Banco Popular's acquisition: considering the declaration setting out the resolution of Banco Popular Español, S.A.U., the redemption and conversion of its capital instruments and the subsequent transfer to Banco Santander, S.A. of the shares resulting from this conversion in exercise of the resolution instrument involving the sale of the institution's business, in the application accordance with the single resolution framework regulation referred to in Note 3, some investors have filed claims against the EU's Single Resolution Board decision, the FROB's resolution executed in accordance to the aforementioned decision, and claims have been filed and may be filed in the future against Banco Popular Español, S.A.U., Banco Santander, S.A. or other Santander Group companies deriving from or related to the acquisition of Banco Popular Español, S.A.U.. There are also criminal investigations in progress led by the Spanish National Court in connection with Banco Popular Español, S.A.U., although not with its acquisition. On 15 January 2019, the Spanish National Court, applying article 130.2 of the Spanish Criminal Code, declared the Bank the successor entity to Banco Popular Español, S.A.U. (following the merger of the Bank and Banco Popular Español, S.A.U. on 28 September 2018), and, as a result, determined that the Bank assumed the role of the party being investigated in the criminal proceeding. The Bank has appealed this decision.
- At this time it is not possible to foresee the total number of lawsuits and additional claims that could be put forth by the former shareholders, nor their economic implications (particularly considering that the resolution decision in application of the new laws is unprecedented in Spain or any other Member State of the European Union and that possible future claims might not specify any specific amount, allege new legal interpretations or involve a large number of parties). The estimated cost of the potential compensation to the shareholders of Banco Popular Español, S.A.U. has been accounted for as disclosed in Note 3 of the 2018 consolidated annual accounts.
- German shares investigation: the Cologne Public Prosecution Office is conducting an investigation against the Bank, and other group entities based in UK - Santander UK plc, Abbey National Treasury Services plc and Cater Allen International Limited -, in relation to a particular type of tax dividend linked transactions known as cum-ex transactions. The Group is cooperating with the German authorities. As the investigations are at preliminary stage, the results and the effects for the Group, which may potentially include the imposition of financial penalties, cannot be anticipated. The Bank has not recognized any provisions in this connection in relation to the potential imposition of financial penalties.
- Attorneys General Investigation of auto loan securitization transactions and fair lending practices: in October 2014, May 2015, July 2015 and February 2017, Santander Consumer USA Inc. (SC) received subpoenas and/or Civil Investigative Demands (CIDs) from the Attorneys General of the U.S. states of California, Illinois, Oregon, New Jersey, Maryland and Washington under the authority of each state's consumer protection statutes. SC was informed that these states serve on behalf of a group of 32 state Attorneys General. The subpoenas contain broad requests for information and the production of documents related to SC's underwriting, securitization, the recovery efforts servicing and collection of nonprime vehicle loans. SC has responded to these requests within the deadlines specified in the CIDs and has otherwise cooperated with the Attorneys General with respect to this matter. The provisions recorded for this investigation are considered sufficient.
- Financial Industry Regulatory Authority ("FINRA") Puerto Rico Arbitrations: as of 31 March 2019, Santander Securities LLC (SSLLC) had received 623 FINRA arbitration cases related to Puerto Rico bonds and Puerto Rico closed-end funds (CEFs). The statements of claims allege,

among other things, fraud, negligence, breach of fiduciary duty, breach of contract of the acquirers, unsuitability, over-concentration of the investments and defect to supervise. There were 425 arbitration cases that remained pending as of 31 March 2019. The provisions recorded for these matters are considered sufficient.

- As a result of various legal, economic and market factors impacting or that could impact of the value Puerto Rico bonds and CEFs, it is possible that additional arbitration claims and/or increased claim amounts may be asserted against SSLLC in future periods.
- 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.
- With the information available to it, the Group considers that, at 31 December 2018, it had reliably estimated the obligations associated with each proceeding and had recognized, where necessary, sufficient provisions to cover reasonably any liabilities that may arise as a result of these tax and legal situations. It also believes that any liability arising from such claims and proceedings will not have, overall, a material adverse effect on the Group's business, financial position or results of operations.

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 or trading position of the Santander Group since 31 March 2019 (being the date of the most recently published interim financial information of the Guarantor).

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 €8,118,286,971 divided into 16,236,573,942 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.*

Not applicable.

16. THIRD PARTY 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.*

Where information in this Base Prospectus has been sourced from a third party: (i) such information has been accurately reproduced; (ii) as far as we are aware and are able to ascertain from the information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading; and (iii) the source of such information has been identified.

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 Euronext Dublin (www.ise.ie).

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a Dealer Agreement dated on or around 17 July 2019 (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.

Book Entry Notes shall not be offered or sold in the United States.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States, trading in the Notes and any Entitlement(s) has not been approved by the Commodity Futures Trading Commission pursuant to the United States Commodity Exchange Act of 1936, as amended and the Notes and any Entitlement(s) 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, or not subject to 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. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A of the Securities Act. The Notes will be subject to restrictions on resale and transfer. See "*Transfer Restrictions*".

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

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S, 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 or the securities laws of any state or other jurisdiction of the United States, 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.

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 require the registration of a prospectus in Spain 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.

Except for the Notes listed in the Spanish fixed income securities market, AIAF, Mercado de Renta Fija and cleared through Iberclear, the Notes may not be offered, sold or distributed, nor may the Notes be re-sold to Spanish tax-resident individuals.

Prohibition of sales to EEA Retail Investors

Other than as may be provided in the Applicable Transaction Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Applicable Transaction Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"); and
- (b) the expression an **offer** includes 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.

Where the Applicable Transaction Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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 specifies 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 or superseded), and includes any relevant implementing measure in the Relevant Member State.

Principality of Andorra

The Dealer has represented and agreed, and any further Dealer appointed under the Programme will be required to represent and agree, that the Notes may only be offered, sold or distributed in the Principality of Andorra ("**Andorra**") in accordance with the requirements set forth by the laws of Andorra, in particular: Law 7/2013, 9, May, on the regime for the operating entities in the Andorran financial system and other provisions which govern the financial activities at the Principality of Andorra ("**Law 7/2013**") "*Llei 7/2013, del 9 de maig, sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra*" and Law 8/2013, 9, May, on the organizational requirements and operating conditions of the operating entities in the Andorran financial system, the investor protection, the market abuse and financial securities agreements ("**Law 8/2013**") "*Llei 8/2013, del 9 de maig sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera*", as well as or any other related regulations that may be in force from time to time, as further amended, supplemented or restated governing the issue, offer and sale of securities in Andorra.

Accordingly, the Notes can only be publicly offered, marketed, promoted or negotiated in Andorra by locally licensed financial entities "*entitats operatives del sistema financer andorrà*". Dealers may offer or distribute exclusively the Notes to locally licensed financial entities authorised by the Andorran Financial Authority "Autoritat Financera Andorrana" in accordance with the laws of Andorra, or sell them to Andorran professional investors, as defined in Law 8/2013, as long as the selling of such securities is expressly solicited by such investors.

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 Financial Market Commission (*Comisión para el Mercado Financiero de Chile*) ("**CMF**") pursuant to Law No. 18,045 (*Ley de Mercado de Valores*) (the "**Securities Market Law**"), 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 Article 4 of the Securities Market Law or if not offered pursuant to the safe-harbor contained in General Rule No. 336 issued by the CMF ("**Rule 336**").

Pursuant to Rule 336, Dealers may offer the Notes to prospective investors in Chile in accordance with the following requirements (all of which need to be satisfied by the specific offer):

- (a) The offer must comply with the obligations related to information and safeguards set forth in section III and IV of Rule 336.
- (b) The offer must not be carried out by means of Mass Media Broadcasting, as defined in Section II of Rule 336.
- (c) The offer must meet at least one of the following conditions: (i) it shall be directed to Qualified Investors as listed in numbers 1 through 6 of Section II of General Rule No. 216 issued by the CMF ("**Rule 216**"); or (ii) it shall be directed to no more than 250 Qualified Investors as listed in numbers 7 and 8 of Section II of Rule 216, through a single or several consecutive offers, within a 12 month period. For this purpose, 50 non accredited investors may be included within such 250 investors. However, this letter (c) shall not apply regarding offerings whose unit value is equal to or greater than 5,000 *Unidades de Fomento* (US\$200,000 approximately).
- (d) According to Section III of Rule 336, the Dealer shall be responsible for implementing the means and safeguards necessary to: (i) verify the identity of Qualified Investors and their status as such; and (ii) comply with the conditions, limits and amounts, as applicable, set forth in Rule 336; and evidence the compliance of the obligations established in Rule 336 upon any requirement made by the CMF.
- (e) According to Section IV of Rule 336, the Dealer must include the following highlighted disclaimer in any communication or material (whether in paper or electronic form, including without limitation the offering memorandum) in both English and Spanish.

English version

Neither the Issuer nor the Notes will be registered in the *Registro de Valores Extranjeros* (Foreign Securities Registry) maintained by the *Comisión para el Mercado Financiero de Chile* (Chilean Financial Market Commission or "CMF") and will not be subject to the supervision of the CMF. If such securities are offered within Chile, they will be offered and sold only pursuant to General Rule No. 336 of the CMF, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities in Chile within the meaning of Article 4 of the Chilean Securities Market Law (Law No. 18,045). The commencement date of this offering is the one contained in the cover pages of this prospectus. The issuer has no obligation to deliver public information in Chile. These Notes shall not be subject to public offering in Chile unless registered in the Foreign Securities Registry.

Spanish version

El Emisor y los valores (*Notes*) no serán registrados en el Registro de Valores Extranjeros de la Comisión para el Mercado Financiero de Chile o "CMF" y no están sujetos a la fiscalización de la CMF. Si dichos valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General N° 336 de la CMF, una excepción a la obligación de registro, o en circunstancias que no constituyan una oferta pública de valores en Chile según lo definido por el artículo 4 de la Ley N° 18.045 de Mercado de Valores de Chile. La fecha de inicio de la presente oferta es la indicada en la portada de este prospecto. El emisor no está obligado a entregar información pública en Chile. Los valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores Extranjeros de la CMF.

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.

Colombia

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will represent and agree, that the Notes have not and will not be marketed, offered, sold or distributed in Colombia or to Colombian residents except in circumstances which do not constitute a public offer of securities in Colombia within the meaning of article 6.1.1.1.1 of Decree 2555 of 2010 as amended from time to time. Any offer of the Notes in Colombia will be addressed to less than one hundred specifically identified investors. The material in this Base Prospectus is for the sole and exclusive use of the addressee as a determined individual/entity and cannot be understood as addressed for the use of any third party, including any of such party's shareholders, administrators or employees, or by any other third party resident in Colombia. The information contained in this Base Prospectus is provided for illustrative purposes only and no representation or warranty is made as to the accuracy or completeness of the information contained herein. Accordingly, Notes will not be publicly offered, marketed or negotiated in Colombia through promotional or advertisement activities (as defined under Colombian law) except in compliance with the requirements of the Colombian Financial and Securities Market Regulation (Decree 2555 of 2010, Law 964 of 2005 and Organic Statute of the Financial System) as amended and restated, and decrees and regulations made thereunder. The Dealer has acknowledged that the Notes listed in the Base Prospectus have not been registered in the National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*) of the Colombian Financial Superintendence (*Superintendencia Financiera de Colombia*) or with any Colombian securities exchange or trading system, and therefore it is not intended for any public offer of the Notes in Colombia.

Investors acknowledge the Colombian laws and regulations (specifically foreign exchange and tax regulations) applicable to any transaction or investment consummated in connection with this Base Prospectus and represent that they are the sole liable party for full compliance with any such laws and regulations.

Investors represent that investment in the Notes is a permitted investment for them under their corporate bylaws and/or particular investment regime that may be applicable.

France

In the period beginning on the date of the delivery of a certificate of approval by the Central Bank to the *Autorité des marchés financiers* (the "AMF") of this Base Prospectus for the purposes of the Prospectus Directive and the relevant implementing measures in Ireland, and ending at the latest on the date which is 12 months after the date of such approval, the Issuer and any Authorised Offeror of an issue of Notes may make an offer of Notes:

- (a) to the public in France, as defined in Article L.411-1 of the French *Code monétaire et financier* and in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the provisions of the *Règlement général* of the AMF and, as from 21 July 2019, Regulation (EU) 2017/1129 (as amended) and any applicable French law and regulation; and/or
- (b) in circumstances that do not constitute an offer to the public in France, pursuant to Article L.411-2 of the French *Code monétaire et financier* and Article 211-2 of the *Règlement général* of the AMF and, as from 21 July 2019, Regulation (EU) 2017/1129 (as amended) and any applicable French law and regulation.

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, sale and distribution of securities.

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 "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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.

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 2017 (as amended) (the "**MiFID II Regulations**") 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 2018 (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 will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Market Abuse Regulations (EU 596/2014) ("**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, as amended ("**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.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Korea

The Notes have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Markets Act (the "**FSCMA**"). The Notes may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, as defined in the Foreign Exchange Transaction Law (the "**FETL**") except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the FETL and the decrees and regulations thereunder. Where the Notes are derivative-linked securities for the purpose of the FSCMA, the Notes do not satisfy the eligibility requirements to be issued in Korea or to any resident of Korea in reliance of the exemption from the licensing requirements for

the issuance of the derivative-linked securities under the FSCMA and, accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea.

Peru

The Notes and the information contained in this offering memorandum has not been and will not be registered or approved by the Peruvian Securities Market Superintendency (*Superintendencia del Mercado de Valores*) or "SMV" and by the Lima Stock Exchange (*Bolsa de Valores de Lima*) or "BVL". Accordingly, the Notes cannot be offered or sold in Peru, except if (i) the Notes were previously registered with the SMV, or (ii) such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities laws provides, among other things, that an offer directed exclusively to institutional investors (as defined by Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors (as defined by Peruvian law) must rely in their own examination of the terms of the offering of the Notes to determine their ability to invest in the Notes. No offer or invitation to subscribe for or sell the Notes or beneficial interests therein can be made in the Republic of Peru, except in compliance with the securities laws thereof.

Poland

No permit has been obtained from the Polish Financial Supervisory Authority (the "**Polish FSA**") in relation to the issue of any Notes. The Notes may not be offered or sold in the Republic of Poland ("**Poland**") by way of a Public Offering (as defined below), unless it is done in compliance with the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**2017 Prospectus Regulation**"), the Act on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies dated 29 July 2005 (as amended) and any other applicable laws and regulations enacted under these acts or in substitution thereof from time to time. Under the 2017 Prospectus Regulation, an 'offer of securities to the public' means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe for those securities ("**Public Offering**").

Each Dealer acknowledges and each further Dealer appointed under the Programme will be required to acknowledge that the sale to or acquisition and holding of the Notes by residents of Poland may be subject to additional requirements and restrictions imposed by Polish law, beyond the restrictions and requirements provided by generally applicable provisions of European Union law, including under foreign exchange regulations.

Portuguese Republic

In relation to the Notes, 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 public or private offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having a permanent establishment located in the Portuguese territory (or to whom Portuguese laws and regulations applicable to the placement of financial instruments otherwise apply), 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*) ("**CMVM**") and Commission Regulation (EC) No. 809/2004 (as amended) implementing the Prospectus Directive (as amended or superseded) and any regulation amending or supplementing the above and other than in compliance with all such laws and regulations: (i) 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 an offer to the public (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as an offer to the public addressed to individuals or entities resident in Portuguese territory or having permanent establishment located in Portugal, as the case may be; (ii) 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*); and (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes to the public in Portugal. Furthermore, (a) if the Notes are subject to a private placement addressed exclusively to professional

investors as defined, from time to time, in the relevant provisions of the Portuguese Securities Code (*investidores profissionais*), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (b) private placements addressed by companies open to public investment (*sociedades abertas*) or by issuers of securities listed on a regulated market shall be notified to the CMVM for statistical purposes.

Switzerland

The Notes may not be publicly offered, sold, advertised, or distributed, directly or indirectly in, in 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.

To the extent the Notes qualify as structured products within the meaning of the Swiss Collective Investment Schemes Act (the "**CISA**"), (i) the Notes may not be offered, sold advertised or distributed, directly or indirectly, in or from Switzerland and (ii) the Base Prospectus or any other marketing material relating to the Notes may not be distributed or otherwise made available in Switzerland, except, in each case, to Qualified Investors as defined in article 10 CISA and otherwise in compliance with the CISA and relevant guidance of the Swiss Financial Markets Supervisory Authority ("**FINMA**"). For fund linked notes, under certain circumstances, the restrictions under the CISA for the distribution of collective investment schemes may apply to such fund linked notes unless such fund linked notes are being exclusively offered, sold, advertised or distributed to Qualified Investors as defined in article 10 (3) let. a. and b. CISA.

The Notes do not constitute participations in a collective investment scheme within the meaning of the CISA. Therefore, the Notes are not subject to the approval of, or supervision by, FINMA, and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

Taiwan

Unless the offer of the Notes has been and will be registered with the Financial Supervisory Commission or other regulatory authorities or agencies of Taiwan, the Republic of China pursuant to relevant securities laws and regulations, the Notes may not be sold, issued or offered within Taiwan, the Republic of China through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory Commission or other regulatory authorities or agencies of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of any Notes in Taiwan, the Republic of China.

People's Republic of China

The Notes may not be offered, sold or delivered, or offered or sold or delivered to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the "**PRC**") in contravention of any applicable laws.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The Issuer does not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, it is not the Issuer's intention and no action has been taken by the Issuer which would permit a public offering of any Notes or distribution of this document in the PRC. Accordingly, the Notes are not being offered or sold within the PRC by means of this Base Prospectus or any other document. Neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

Singapore

Each Dealer has acknowledged, and each further Dealer to be appointed under the Programme will be required to acknowledge that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to (in the case of securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA)) Section 274 of the SFA or (in the case of units of a collective investment scheme) Section 304 of the SFA;
- (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments)(Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Certain Restrictions applicable to Notes issued in Singapore dollars:

Notes denominated in Singapore dollars and issued to persons in Singapore by a person carrying on a deposit-taking business (whether in Singapore or elsewhere) with a maturity period of less than 12 months and a denomination of less than S\$200,000 would be treated as deposits for the purposes of the Banking Act, Chapter 19 of Singapore (the "**Singapore Banking Act**"), unless the Notes are issued to certain persons, including either:

- (a) an individual whose total net assets exceeds S\$2 million (or equivalent in foreign currency) at the time of subscription or whose income in the 12 months preceding the time of subscription exceeds S\$300,000 (or equivalent in foreign currency); or
- (b) a company whose net assets (as determined by the last audited-balance sheet of the company) exceeds S\$10 million (or equivalent in foreign currency) at the time of subscription.

In addition, even where Notes issued in Singapore dollars with a denomination of less than S\$200,000 are not treated as deposits for the purposes of the Singapore Banking Act, certain additional information is required to be furnished to investors in Singapore by an issuer which is carrying on a deposit-taking business. In such case, please refer to the Applicable Transaction Terms for such further information.

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 applicable 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 Spain, Andorra, France, Ireland, Italy, Germany, Peru, Poland, Singapore and Switzerland 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 and it is based on the laws presently in force in Spain (without prejudice of regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre or provisions passed by Autonomous Communities which may apply to investors for certain taxes). The information provided below does not purport to be a complete summary of tax law and practice currently applicable in 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, as amended by Royal Decree 1145/2011, of 29 July 2011;
- (b) for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("**PIT**"), Law 35/2006 of 28 November, on the PIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, and Royal Decree 439/2007 of 30 March promulgating the PIT Regulations, along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December on the Inheritance and Gift Tax;
- (c) 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, as amended from time to time, 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
- (d) 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.

Indirect Taxation

Whatever the nature and residence of the holder of a beneficial interest in the Notes (each, a "**Beneficial Owner**"), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September 1993, and exempt from value added tax, in accordance with Law 37/1992, of 28 December 1992, regulating such tax, as amended from time to time.

1. Individuals with Tax Residence in Spain

1.1 Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Spanish individuals ("*personas físicas*") with tax residency in Spain (each a "**Spanish Individual**") are subject to PIT on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by persons that are considered resident in Spain for tax purposes. The fact that a Spanish company pays interest or guarantees payments under a Note will not lead an individual or entity to be considered tax-resident in Spain.

Both interest payments periodically received and income derived from the transfer, redemption or exchange of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law and taxed at a flat rate of 19 per cent. on the first €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

According to Article 44.4 of the Royal Decree 1065/2007, in relation to withholding taxes, the Spanish Issuer would be obliged to withhold taxes in Spain on any interest paid under the Book-Entry Notes to PIT payers.

In that sense, in the case of Book-Entry Notes, other than Implicit Yield Notes with a duration of more than 12 months, the information procedures set out in Royal Decree 1065/2007 would need to be compiled.

In addition, with respect to Implicit Yield Notes, the information procedures set out in the PIT regulations would also need to be observed.

For that reason, in the case of Implicit Yield Notes, the Issuer will proceed to reimburse them provided that the holder thereof accredits their prior acquisition and the corresponding acquisition price by means of the legally required certificate that has been issued by a Spanish financial institution or established in Spain. In accordance with the legislation currently in force, in case of failure to provide such certificate, the Issuer will not proceed to pay to the holder the reimbursement thereof.

1.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Net Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis. In particular, individuals with tax residency in Spain are subject to Net Wealth Tax to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31 December each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Law 4/2008, of 23 December introduced a 100% relief (*bonificación del 100%*) on the Net Wealth Tax. However, for the years 2011 to 2017 the Spanish Central Government has repealed the 100% relief of this tax.

However, in accordance with article 3 of Royal Decree-Law 27/2018 of 28 December, from the year 2020, a full exemption on Net Wealth Tax (*bonificación del 100%*) should apply and therefore from year 2020 Spanish individual Holders should be released from formal and filing obligations in relation to this Net Wealth Tax, unless the derogation of the exemptions is extended again (which cannot be ruled out).

The collection of this tax depends on the regulations of each Autonomous Region. Therefore, in the case that the repeal 100% relief is extended again, investors should consult their tax advisers according to the particulars of their situation.

1.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable effective tax rates currently range between 0 per cent. and 81.6 per cent. depending on relevant factors.

2. **Legal Entities with Tax Residency in Spain**

2.1 **Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest received periodically and income deriving from the transfer, redemption or repayment of the Notes are subject to Corporate Income Tax (at the current general rate of 25%) in accordance with the rules for this tax. This general rate will not be applicable to all Corporate Income Tax taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30%). Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

In accordance with Sections 4 and 5 of Article 44 of of Royal Decree 1065/2007, there is no obligation to withhold on interest payable under the Notes issued in accordance with the Law 10/2014 and on the reimbursement of the Implicit Yield Notes with a duration of equal to or less than 12 months 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 from the Notes or on the reimbursement of Implicit Yield Notes to Spanish CIT taxpayers provided that the relevant information about the Notes is duly submitted.

According to Article 61.q) of the Corporate Income Tax Regulations, the Spanish Issuer would not be obliged to withhold taxes in Spain on any interest paid under the Implicit Yield Notes with a duration of more than 12 months, other than Bearer Notes and Registered Notes, to Spanish CIT taxpayers provided that such Implicit Yield Notes would be issued in book entry form and admitted to trading on an official secondary securities market or in the Alternative Fixed Income Market in Spain. In addition, according to Article 61.s) of the Corporate Income Tax Regulations, the Spanish Issuer would not be obliged to withhold taxes in Spain on any interest paid under the Implicit Yield Notes with a duration of more than 12 months, other than Book-Entry Notes, to Spanish CIT taxpayers provided that such Implicit Yield Notes would be listed and admitted to trading on an official securities market in an OECD country.

Likewise, in relation to the Implicit Yield Notes referred in the two preceding paragraphs, the information procedures set out in the CIT regulations would also need to be observed. In this respect, it is necessary to distinguish the procedure to be followed in the case of Notes issued in accordance with the Law 10/2014 or Implicit Yield Notes with a duration equal to or less than 12 months, from the procedure applicable to the Implicit Yield Notes with a duration of more than 12 months.

In the case of Implicit Yield Notes including, but not limited to, Zero Coupon Notes, with a duration of more than 12 months, the Issuer will proceed to reimburse them provided that the holder thereof accredits their prior acquisition and the corresponding acquisition price by means of the legally required certificate that has been issued by a Spanish financial institution or established in Spain. In accordance with the legislation currently in force, in case of failure to provide such certificate, the Issuer will not proceed to pay to the holder the reimbursement thereof.

In the case of Notes held by Spanish resident entities 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 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 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 their final CIT liability.

2.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish resident legal entities are not subject to Wealth Tax.

2.3 **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 Corporate Income Tax purposes.

3. **Individuals and Legal Entities with no Tax Residency in Spain**

3.1 **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.

In the same way, the reimbursement of Implicit Yield Notes with a duration of more than 12 months will follow the same procedure as those for Spanish Corporate Income Tax taxpayers.

(b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

Both interest payments received periodically and income deriving from the transfer, redemption or repayment of the Notes issued in accordance with the Law 10/2014 and Implicit Yield Notes with a duration equal to or less than 12 months, 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 such Notes is duly submitted to the Issuer.

In the case of Implicit Yield Notes with a duration of more than 12 months, the Spanish Issuer would not be obliged to withhold taxes in Spain to Non-Resident Income Tax taxpayers if the holder provides the Issuer with a certificate of tax residence issued by the tax authorities of the relevant country.

To make the above exemptions effective, it will be necessary to comply with the information provision obligations described below. For these purposes, it is necessary to distinguish the procedure to be followed in the case of Notes issued in accordance with Law 10/2014 or Implicit Yield Notes with a duration equal to or less than 12 months, from the procedure applicable to Implicit Yield Notes with a duration of more than 12 months.

3.2 **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 2019, 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 an 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.

In accordance with the second section of Article 1 of the Royal Decree 13/2011, of 16 September, as amended by Article 3 of Royal Decree-Law, 27/2018, a full exemption on Wealth Tax will apply in 2020 unless such exemption is revoked.

Non-Spanish resident legal entities are not subject to Wealth Tax.

3.3 **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.

4. **Obligation to inform the Spanish tax authorities of the ownership of the Notes**

With effect as from 1 January 2013, Law 7/2012, of 29 October, as implemented by Royal Decree 1558/2012, of 15 November, introduced new annual reporting obligations applicable to Spanish residents (i.e. individuals, legal entities, permanent establishments in Spain of non-resident entities) in relation to certain foreign assets or rights.

Consequently, if the Notes are deposited with or placed in the custody of a non-Spanish entity, holders resident in Spain will be obliged, if certain thresholds are met as described below, to declare before the Spanish tax authorities, between 1 January and 31 March every year, the ownership of the Notes held on 31 December of the immediately preceding year (e.g. to declare between 1 January 2020 and 31 March 2020 the Notes held on 31 December 2019).

This obligation would only need to be complied with if certain thresholds are met: specifically, if the only rights/assets held abroad are the Notes, this obligation would only apply if the value of the Notes together with other qualifying assets held on 31 December exceeds €50,000 (with the corresponding valuation to be made in accordance with Wealth Tax rules). If this threshold is met, a declaration would only be required in subsequent years if the value of the Notes together with other qualifying assets increases by more than €20,000 as against the declaration made previously. Similarly, cancellation or extinguishment of the ownership of the Notes before 31 December should be declared if such ownership was reported in previous declarations.

5. **Information about the Notes in Connection with Payments**

5.1 **Notes issued in accordance with Law 10/2014 or Implicit Yield Notes with a term equal to or less than 12 months**

In the case of Notes issued in accordance with Law 10/2014 or Implicit Yield Notes with a duration equal to or less than 12 months, 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 the case of Book-Entry Notes, other than Implicit Yield Notes with a duration of more than 12 months, according to Section 44.4 of Royal Decree 1065/2007, for the purpose of preparing the annual return referred to above, certain information with respect thereto 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;
- (d) the amount of income corresponding to PIT taxpayers, except segregated coupons and segregated principal for which reimbursement an intermediary entity is involved; and

- (e) the amount of income which, according to paragraph 2 of article 44 of Royal Decree 1064/2007, must be paid gross.

In respect of Bearer Notes and Registered Notes, other than Implicit Yield Notes with a duration of more than 12 months, in accordance with Section 44.5 of Royal Decree 1065/2007, for the purpose of preparing the annual return referred to above, certain information with respect thereto 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 or (in the case of Book-Entry Notes) the Iberclear Paying Agent (or any other entity that holds securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory) must certify the information above about such 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 or the Iberclear Paying Agent, as applicable, have arranged certain procedures to facilitate the collection of information concerning such 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 Agency Agreement which may be inspected during normal business hours at the specified office of the Principal Paying Agent or the Iberclear 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.

If, following clarifications by the Spanish Tax Authorities, procedures in relation to Royal Decree 1065/2007 are subsequently amended, the Issuer, the Principal Paying Agent and the Iberclear Paying Agent will implement such procedures as may be required to enable the Issuer to comply with its obligations under applicable legislation as clarified by the Spanish Tax Authorities.

Please note that the procedure set out in Section 5.2 (*Implicit Yield Notes with a duration of more than 12 months*) below would also apply for Implicit Yield Notes with a duration equal or less than 12 months when the holders are Spanish individuals taxpayers.

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.

6. **No holding of Implicit Yield Notes other than Book-Entry Notes by Spanish Individuals**

The sale, transfer, or acquisition of Implicit Yield Notes other than Book-Entry 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 other than Book-Entry 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 (i) recognise any Spanish Individual as owner of Implicit Yield Notes other than as an owner of Book-Entry Notes or (ii) list any Implicit Yield Notes other than Book-Entry Notes on AIAF.

7. Implicit Yield Notes that are Book-Entry Notes with a duration of more than 12 months

In case of Implicit Yield Notes that are Book-Entry Notes with a duration of more than 12 months, the reimbursement proceeding requires that the holder (i) provides the Issuer with a certificate of tax residence issued by the tax authorities of the country of its tax residence, in the case of Non-Resident Income Tax taxpayers, according to which no withholding tax should apply upon such reimbursement and (ii) accredits their prior acquisition and the corresponding acquisition price by means of the legally required certificate that has been issued by a Spanish financial institution or established in Spain.

In accordance with the legislation currently in force, in the case of failure to provide the certificate in relation to the prior acquisition and the corresponding acquisition price, the Issuer will not proceed to pay to the holder the reimbursement thereof.

8. The proposed financial transactions tax ("EU FTT")

On 14 February 2013, the European Commission published a proposal for a Directive for a common EU FTT in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. Estonia, however, withdrew from the enhanced cooperation in March 2016 (the "**FTT Participating Member States**").

The proposed EU FTT has a very broad scope and could, if introduced, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

The EU FTT could apply to persons both within and outside of the FTT Participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In the ECOFIN meeting of 17 June 2016, the EU FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an FTT by the so-called enhanced cooperation process.

The proposed Directive defines how the EU FTT would be implemented in participating Member States. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate.

On 3 December 2018, the finance ministers of France and Germany outlined a joint proposal for a limited FTT based on a system already in place in France. Under the new proposal, the tax obligation would apply only to transactions involving shares issued by domestic companies with a market capitalisation of over €1 billion.

However, the EU FTT proposal remains subject to negotiation between the FTT Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate, and FTT Participating Member States may withdraw.

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

9. The proposed Spanish financial transactions tax

On 18 January 2019, the Spanish Council of Ministers approved a draft bill (the "**Draft Bill**"), according to which, due to the delay in the EU FTT being approved, the intention is to implement a Spanish financial transactions tax (the "**Spanish FTT**"). However, the Spanish Council of Ministers stated that Spain will continue to participate in the enhanced co-operation for the approval of the EU FTT and, if finally approved, Spain will adapt the Spanish FTT to align it with the EU FTT.

According to the Draft Bill, the Spanish FTT is to be aligned with the French and Italian financial transactions taxes. Specifically, it is proposed that a Spanish FTT, at a rate of 0.2%, would apply to certain acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction.

The Draft Bill was sent to Parliament for debate and approval. However, early general elections were called for 28 April 2019 and the legislative process was suspended.

On 30 April 2019, the interim Government (headed by the centre-left party PSOE) submitted to the European Commission the "Update of the Stability Programme 2019-2022" (*Actualización del Programa de Estabilidad 2019-2022*). This report is not equivalent to a draft law but it includes the economic projections for 2019-2022 and confirms the intention of the new Government to approve the Spanish FTT, stating that "the creation of the Tax on Financial Transactions will be relaunched". The income derived from the Spanish FTT in the report is included in the economic projections for 2020 and not for 2019.

However, the parliamentary process to approve the Spanish FTT law will need to be reinitiated once the new Parliament and the new Government are formed and the new Government once more sends the Draft Bill to Parliament for final approval. As a result, some of the proposed measures could be substantially modified (or even abandoned) during the legislative process. While, according to the current drafting of the Draft Bill, the Spanish FTT would not apply in relation to an issue of Notes under the Programme, there can be no assurance that any such Spanish FTT would not apply to an issue of Notes in the future. Prospective investors of the Notes are advised to seek their own professional advice in relation to the Spanish FTT.

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) Paying agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1. En relación con los apartados 3 y 4 del artículo 44:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores.....

1.1 Identification of the securities.....

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados).....

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. En relación con el apartado 5 del artículo 44.

2. In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores.....

2.1 Identification of the securities.....

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro ena dede

I declare the above in on the.... of of

⁽¹⁾**En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

⁽¹⁾In case of non-residents (individuals or corporations) without permanent establishment in Spain, the number or identification code which corresponds to their country of residence shall be included.

Principality of Andorra

The following is a general description of certain Andorran tax considerations based upon the laws currently in force in the Principality of Andorra ("Andorra").

Introduction

This information has been drafted based upon the following Andorran tax legislation in force as of the date of this Base Prospectus:

- (i) For legal entities resident for tax purposes in Andorra which are Corporate Income Tax ("**Corporate Income Tax**" or "**CIT**") taxpayers, the (a) Law 95/2010, of 29 December 2010, on the Corporate Income Tax, as amended from time to time and the (b) Decree of 14 May 2019, on the Corporate Income Tax Regulations, as amended from time to time (both referred to as "**Corporate Income Tax Regulations**"); and
- (ii) For individuals being residents for tax purposes in Andorra which are Personal Income Tax ("**Personal Income Tax**" or "**PIT**") taxpayers, the (a) Law 5/2014, of 24 April 2014, on Personal Income Tax and the (b) Decree of 24 April 2014, as amended from time to time (both referred to as "**Personal Income Tax Regulations**").

The acquisition and transfer of the Notes will be exempt from indirect taxes in Andorra.

Legal Entities with Tax Residency in Andorra

(a) Corporate Income Tax ("**Impost sobre Societats**")

Both interests received periodically and income deriving from the transfer, redemption or repayment of the Notes are subject to Corporate Income Tax (at the current general rate of 10%) in accordance with the Corporate Income Tax Regulations. This general rate will not be applicable to all Corporate Income Tax taxpayers and, for instance, a special rate (0%) applies for collective investment undertakings.

(b) Other considerations (Wealth, Gifts and heritances)

Andorran tax legislation does not provide for wealth tax. Consequently, the mere holding of the Notes is not a taxable event.

Andorran tax legislation does not provide for specific inheritance and gifts tax. However, Andorran-resident legal entities which acquire ownership or other rights over the Notes by inheritance or gift must include the market value of the Notes (or the market value of the rights so acquired) in their taxable income for Corporate Income Tax Regulations purposes.

Individuals with Tax Residency in Andorra

(a) Personal Income Tax ("**Impost sobre la Renda de les Persones Físiques**")

Both interests received periodically and income deriving from the transfer, redemption or repayment of the Notes are subject to Personal Income Tax (at the current general rate of 10%) in accordance with the Personal Income Tax Regulations as a part of saving tax base. The Personal Income Tax establishes an exemption of €3,000 per year applicable to the saving tax base.

In accordance with the Personal Income Tax Regulations, there is a withholding obligation on interest payable to Andorran PIT taxpayers. Consequently, the Local Entity will withhold on interest payments to Andorran PIT at a 10% fix rate.

However, the Personal Income Tax Regulations establish a €3,000 exemption per year for the benefit of Andorran tax resident individuals.

(b) Other considerations (Wealth, Gifts and heritances)

Andorran tax legislation does not provide for wealth tax nor inheritance or gifts tax.

Taxation in France

The following is an overview of certain tax consequences relating to the holding of the Notes. This overview is based on the laws and regulations in full force and effect in France as at the date of this Base Prospectus, which may be subject to change in the future, potentially with retroactive effect. Investors should be aware that this overview is of a general nature and does not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisers so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or disposal of the Notes.

Withholding taxes

The following has been prepared on the assumption that the Issuer is not a French resident for French tax purposes (whether actually or constructively) and the Notes (and any transaction in relation to the Notes) are not attributed or attributable to a French branch, permanent establishment or place of business of the Issuer for French tax purposes.

The withholding tax treatment of the Notes issued by the Issuer will depend on their nature and characterisation for French tax purposes.

Notes issued by the Issuer constituting debt instruments for French tax purposes

Payments with respect to Notes issued by the Issuer which are treated as debt instruments for French tax purposes would be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein.

However, if the paying agent (*établissement payeur*) is established in France, pursuant to Article 125 A I of the French *Code général des impôts*, subject to certain exceptions, interest and assimilated income received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France are subject to a 12.8% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and solidarity levy) are also levied by way of withholding at an aggregate rate of 17.2% on such interest and assimilated income received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France, subject to certain exceptions.

Notes issued by the Issuer not constituting debt instruments for French tax purposes

Payments with respect to Notes issued by the Issuer which are not treated as debt instruments for French tax purposes would not be subject to any mandatory withholding tax in France.

Transfer tax and other taxes

The following may be relevant in connection with Notes which may be settled or redeemed by way of physical delivery of (i) certain listed shares or certain assimilated securities issued by a company whose registered office is situated in France or (ii) securities representing such shares (or assimilated securities).

Pursuant to Article 235 *ter* ZD of the French *Code général des impôts*, a financial transaction tax (the "**French FTT**") is applicable, to any acquisition for consideration, of (i) an equity security (*titre de capital*) within the meaning of Article L 212-1 A of the French *Code monétaire et financier* or an assimilated equity security (*titre de capital assimilé*) within the meaning of Article L 211-41 of the French *Code monétaire et financier*, admitted to trading on a recognised stock exchange when the said security is issued by a company whose registered office is situated in France and whose market capitalisation exceeds €1 billion on 1 December of the year preceding the year in which the imposition occurs (the "**French Shares**") or (ii) a security (*titre*) representing French Shares (irrespective of the location of the registered office of the issuer of such security). The rate of the French FTT is 0.3% of the acquisition value of the French Shares (or securities representing French Shares). There are a number of exemptions from the French FTT and investors should consult with their counsel to identify whether they can benefit from them.

If the French FTT applies to an acquisition of French Shares, this transaction is exempt from transfer taxes (*droits de mutation à titre onéreux*) which generally apply at a rate of 0.1% to the sale of shares issued by a company whose registered office is situated in France, provided that in case of shares listed on a recognised stock exchange, transfer taxes are due only if the transfer is evidenced by a written deed or agreement.

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 Euronext Dublin).

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.

Italy

The following is a summary of current Italian law and practice relating to the taxation of Notes. The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Notes.

This summary does not describe the tax consequences for an investor with respect to Notes that will be redeemed by physical delivery. Prospective Noteholders are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Italian tax treatment of the Notes

The Notes may be subject to different tax regimes depending on whether:

- they represent a debt instrument implying a use of capital (impiego di capitale), through which the Noteholders transfer to the Issuer a certain amount of capital, for the economic exploitation of the same, subject to the right to obtain a (partial or entire) reimbursement of such amount at maturity; or

- they represent derivative financial instruments or bundles of derivative financial instruments that do not entail a use of capital, through which the Noteholders purchase indirectly underlying financial instruments.

1. Notes representing debt instruments implying a "use of capital"

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, ("**Decree No. 239**") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli simili alle obbligazioni*) issued, inter alia, by non-Italian resident issuers.

For these purposes, debentures similar to bonds are defined as debentures that incorporate an unconditional obligation to pay, at redemption, an amount not less than their principal amount (whether or not providing for interim payments) and that do not give any right to directly or indirectly participate in the management of the relevant Issuer or of the business in relation to which they are issued nor any type of control on such management.

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected (unless he has opted for the application of the "*risparmio gestito*" regime – see "*Capital Gains Tax*" below), (ii) a non-commercial partnership pursuant to Article 5 of the Italian Income Consolidated Code ("**TUIR**") (with the exception of general partnership, limited partnership and similar entities), (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. In the event that Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the relevant Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016, as subsequently amended (the "**Finance Act 2017**") and in Article 1(210-215) of Law No. 145 of 30 December 2018 (the "**Finance Act 2019**"), as implemented by the Ministerial Decree 30 April 2019.

Where an Italian resident Noteholder is a company or similar commercial entity pursuant to Article 73 of TUIR or a permanent establishment in Italy of a foreign company to which Notes are effectively connected and such Notes are deposited with an authorised intermediary, interest, premium and other income from such Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation ("**IRES**") and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**").

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 (the "**Decree No. 351**"), Law Decree No. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented (the "**Real Estate Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Funds.

According to Article 9 of the Legislative Decree No. 44 of 4 March 2014, the same regime is applicable to Italian real estate SICAFs ("**Real Estate SICAFs**").

If the investor is resident in Italy and is an open-ended or closed-ended investment fund a SICAF (an investment company with fixed share capital) or a SICAV (an investment company with variable capital) established in Italy (the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary,

interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent., will apply, in certain circumstances to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and Notes are deposited with an authorised intermediary, interest, premium and other income relating to such Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an "**Intermediary**") as subsequently amended and integrated.

An Intermediary to be entitled to apply the *imposta sostitutiva* must (i) be (a) resident in Italy or (b) a permanent establishment in Italy of a non-Italian resident financial intermediary or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which such Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder. If interest, premium and other income on the Notes are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above will be required to include interest, premium and other income in their yearly income tax return and subject them to a final substitute tax at a rate of 26 per cent.

Non-Italian Resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to Notes provided that, if Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are debentures that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Notes that are classified as atypical securities, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Such withholding tax does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership (with the exception of general partnership, limited partnership and similar entities), or (iii) a commercial private or public institution.

Payments made by a non-resident guarantor

With respect to payments made to Italian resident Noteholders by a non-Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payment made by the Italian non-resident guarantor could be treated, in certain circumstances, as a payment made by the Issuer and would thus be subject to the tax regime described in the previous paragraphs of this section.

Capital Gains Tax

Any gain obtained from the sale, early redemption or redemption of Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the relevant Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the relevant Notes are connected.

Where an Italian resident Noteholder is (i) an individual not holding Notes in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale, early redemption or redemption of such Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Under some conditions and limitations, Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales, early redemption or redemptions of the relevant Notes carried out during any given tax year. These Noteholders must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. As an alternative to the tax declaration regime, Italian resident individual Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale, early redemption or redemption of the relevant Notes (the "*risparmio amministrato*" regime provided for by Article 6 of the Legislative Decree No. 461 of 21 September 1997, the "**Decree No. 461**"). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale, early redemption or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a

corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale, early redemption or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised or accrued by Italian Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have validly opted for the so-called "*risparmio gestito*" regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return. Any capital gains realised by a Noteholder which is a Fund will be included in the result of the relevant portfolio accrued at the end of the tax period. The Fund will not be subject to taxation on such result, but the Collective Investment Fund Tax will apply.

Any capital gains realised by a Noteholder who is an Italian Real Estate Fund or a Real Estate SICAF to which the provisions of Decree 351, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund or the Real Estate SICAF.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes are not subject to Italian taxation, provided that the relevant Notes (i) are traded on regulated markets, or (ii) if not traded on regulated markets, are held outside Italy.

2. Notes classified as derivative financial instruments or bundles of derivative financial instruments

Payments in respect of Notes qualifying as securitised derivative financial instruments received by Noteholders resident in Italy for tax purposes (not engaged in entrepreneurial activities to which the Notes are connected) as well as capital gains realised by such Italian Noteholder on any sale or transfer for consideration of the Securities or redemption thereof are subject to a 26 per cent. capital gain tax, which applies under the tax declaration regime, the *risparmio amministrato* tax regime or the *risparmio gestito* tax regime according to the same rules described above under the section "Capital Gains Tax" above.

Payments in respect of Notes qualifying as securitised derivative financial instruments received by investors resident in Italy for tax purposes which carry out commercial activities are not subject to the 26 per cent. capital gain tax, but the proceeds are included in their taxable income and subject to taxation in accordance with the ordinary rules.

Any capital gains realised by an investor which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by an investor which is an Italian pension fund (subject to the regime provided for by Article 17 of Decree No. 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

Any capital gains realised by a Real Estate Investment Fund and Real Estate SICAF will be subject, if the relevant conditions are met, neither to substitute tax nor to any other income tax in the hands of such Real Estate Investment Fund or Real Estate SICAF.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes are held outside of Italy.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

Transfer Tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of Euro 200; (ii) private deeds are subject to registration tax only in case of use (*caso d'uso*), explicit reference (*enunciazione*) or voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Law Decree No. 201 of 6 December 2011 (the "**Decree No. 201**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000, for taxpayers different from individuals; this stamp duty is determined on the basis of the market value or - if no market value figure is available - the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree No. 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market value figure is available, the nominal value or the redemption value of such Notes held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Italian Financial Transactions Tax

Pursuant to Article 1(491 et seq) of Law No. 228 of 24 December 2012, a financial transaction tax (**FTT**) applies to (i) transfers of property rights in shares and other participating securities issued by Italian resident companies (together, the **Relevant Participating Instruments**); (ii) transfers of property rights in financial instruments representing any such Relevant Participating Instruments, whether or not such financial instruments are issued by Italian resident issuers (such financial instruments, together the Relevant Participating Instruments, the **Relevant Instruments**); and (iii) derivative transactions referencing Relevant Instruments (i.e. derivative transactions or derivative financial instruments and certain equity-linked securities having an underlying mainly represented by one or more of Relevant Instruments or whose value is mainly linked to the Relevant Instruments) including securitised derivatives referencing Relevant Instruments (e.g. certificates).

With respect to derivative transactions referencing Relevant Instruments including securitised derivatives the FTT applies regardless of the tax residence of both the counterparties of the transactions and/or where the transaction is executed. The FTT is levied at a fixed amount of between Euro 0.01875 and Euro 200 per transaction, which varies depending on the features and notional value of the securitised derivatives. Where a securitised derivative settled by physical settlement, the FTT is also due upon the transfer of the ownership rights in the underlying Relevant Instruments. A reduced FTT (one fifth of the standard rate) is payable in respect of transactions executed on certain qualifying regulated markets or multilateral trading facilities.

The FTT due in respect of derivative transactions referencing Relevant Instruments including securitised derivatives is payable by both counterparties to a transaction. However, the FTT does not apply where one of the parties to the transaction is the European Union, the ECB (European Central Bank), central banks of the EU Member States, foreign Central Banks or entities which manage the official reserves of a foreign State, or international bodies or entities set up in accordance with international agreements which have entered into force in Italy. Further specific exemptions exist including, inter alia, for (i) subjects who carry on market making activities; (ii) mandatory social security entities and pension funds set up according to Legislative Decree No. 252 of 5 December 2005; and (iii) entities merely interposed in the execution of a transaction.

The FTT is levied by the banks and other financial intermediaries (*società fiduciarie e imprese di investimento abilitate all'esercizio professionale nei confronti del pubblico dei servizi e delle attività di investimento*) (**Intermediaries**) that are involved, in any way, in the execution of the transaction and subsequently paid to the Italian Revenue. If more than one Intermediary is involved in the execution of the transaction, the FTT is levied by the Intermediary who receives the order of execution by the purchaser of the Relevant Instruments or, in the case of a derivative transaction or securitised derivative referencing a Relevant Instrument, by the counterparty to or purchaser of such derivative. Intermediaries not resident in Italy can appoint an Italian representative for the purposes of the FTT. If no Intermediaries are involved in the execution of the transaction, the relevant FTT must be paid by each relevant party to the transaction themselves.

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 Applicable Transaction 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.

The law as currently in effect provides for a reduced tax rate for certain investment income. The coalition agreement between the German Christ Democratic Party, the Christian-Social Union and the German Social Democratic Party for the formation of a new German federal government provides that the flat tax regime shall be partially abolished. The coalition agreement further specifies that the solidarity surcharge shall be abolished in stages provided that the individual income does not exceed certain thresholds. There is however no draft bill available yet and a lot of details are hence still unclear. Hence, it is still unclear, whether, how and when the current discussion may result in any legislative change.

Prospective purchasers of Notes are advised to consult their own tax advisors 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 on-going payments and capital gains

On-going payments received by a non-business Noteholder 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 non-business 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 the Issuer exercises the right to substitute the Issuer of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new Notes issued by the new Issuer. Such substitution could result in the recognition of a taxable gain or loss for the respective investors. The Substitute is obligated to indemnify each Noteholder for any tax incurred by such Noteholder as a result of a substitution of the Issuer pursuant to the relevant provisions as set out in the Terms and Conditions. The indemnities to be pay may constitute taxable income. If interest coupons or interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposal 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.

If Notes qualifying as a forward/future or option transaction (*Termingeschäft*) according to sec. 20 para. 2 sent. 1 no. 3 German Income Tax Act (*Einkommensteuergesetz*) are settled by a cash payment, capital gains realised upon exercise (i.e. the cash amount received minus directly related costs and expenses, e.g. the acquisition costs) are subject to withholding tax. In the event of physical delivery, the acquisition costs of such Notes plus any additional sum paid upon exercise are generally regarded as acquisition costs of the underlying assets received upon physical settlement. Withholding tax may then apply to any gain resulting from the subsequent disposal, redemption, repayment or assignment of the assets received, in particular if they are securities. In case of certain assets being the underlying (e.g. commodities or currencies) a subsequent sale of the underlying received may

not be subject to German withholding tax as outlined in this section but any disposal gain may be fully taxable at the personal income tax rate of the non-business Noteholder.

In case of a physical settlement (not qualifying as forward/future or option transactions) of certain Notes which grant the Issuer the right to physically deliver the underlying securities or the Noteholder to demand the physical delivery of the underlying securities instead of a cash payment, upon physical delivery 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 non-business 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 non-business 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(e.g. Switzerland or Andorra).

Pursuant to administrative guidance losses incurred by a Noteholder from bad debt (*Forderungsausfall*) or a waiver of a receivable (*Forderungsverzicht*) are generally not tax-deductible. The same rules should apply if the Notes expire worthless. This view has however been challenged by a judgment of the Federal Tax Court (*Bundesfinanzhof*); it is not yet clear whether the decision will be generally applied by the tax authorities. According to the draft bill of the Federal Ministry of Finance ("*Entwurf eines Gesetzes zur weiteren steuerlichen Förderung der Elektromobilität und zur Änderung weiterer steuerlicher Vorschriften*") losses from capital claims of private investors shall now generally not be deductible for tax purposes. However, the legislative process is still in its very beginning and may therefore still be subject to change.

According to administrative guidance, where a Note qualifies as a full risk security (*Vollrisikozertifikat*) which provides for several payments to be made to the Noteholder such payments shall qualify as taxable investment income, unless the terms and conditions of the Notes explicitly provide for the redemption or partial redemption during the term of the Notes and these terms and conditions are complied with. If the terms of the Notes do not provide for final payment at maturity or no such payment is made any losses incurred upon expiry of such Notes shall not be tax-deductible.

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 non-business 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 non-business 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 non-business Noteholder in the custodial account with the Disbursing Agent.

Non-business Noteholders are entitled to an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for couples and partners filing jointly) for all investment income received in a given year. Upon the non-business 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 Noteholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) 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 non-business 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 non-business 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 non-business 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 non-business 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 non-business 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. Where according to an applicable accounting standard Notes include an embedded derivative, the Noteholder may have to account for a receivable and a derivative. The deduction of losses from derivatives may be ring-fenced as discussed below.

Generally the deductibility of capital losses from Notes which qualify for tax purposes as forward/future or option transactions is limited. These losses may only be applied against profits from other forward/future or option transactions derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses can be carried forward indefinitely and, within certain limitations, applied against profits from forward/future or option transactions in subsequent years. This generally does not apply to forward/future or option transactions hedging risks from the Noteholder's ordinary business, unless the underlying of the hedge is a stock in a corporation. Further special rules apply to credit institutions, financial services institutions and finance companies within the meaning of the German Banking Act.

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.

German Investment Taxation

If a Note (in particular a Note which is physically settled by delivery of fund shares, fund units or similar instruments or a Note which replicates the performance of an investment fund) was considered to qualify as an investment fund unit within the meaning of the German Investment Tax Act (*Investmentsteuergesetz*), tax consequences different from those discussed above would apply. A Noteholder subject to German taxation may then be required to include into his or her taxable income unrealized gains from the appreciation in value of the Note which may be deemed to be a portion of the fair market value of the Note at the relevant time. In general, the taxed unrealized gains will be deductible in computing the capital gain derived from the disposal, redemption or termination of the Note.

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 in the subsection "*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 (*Vermögensteuer*) is not levied in Germany.

Peru

The discussion in this offering memorandum regarding Peruvian tax considerations is not intended or written to be used and cannot be used or relied upon by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of this offering. Prospective investors should consult an independent tax advisor with respect to the Peruvian tax consequences of acquiring, owning or disposing of the Notes.

The following is a general summary of certain material Peruvian tax consequences that may be relevant with respect to the purchase, ownership or disposition of the Notes by non-Peruvian and Peruvian holders. This summary is not intended to be a comprehensive description of all Peruvian tax considerations that may be relevant to a decision by non-Peruvian holders to make an investment in the Notes.

For purposes of this section, "non-Peruvian holder" means (i) any individual who is not domiciled in Peru; and, (ii) any legal entity incorporated outside of Peru, *provided* that it does not conduct any trade or business through a permanent establishment in Peru or hold the Notes through a Peruvian branch. A non-Peruvian individual will be deemed domiciled in Peru for tax purposes if such individual has resided or has remained in Peru for more than 183 calendar days during any 12-month period. The change on the condition of residence will be effective as of January 1 of the following calendar year.

For purposes of this section, the term "Peruvian holder" means a beneficial owner of a Note who, for Peruvian income tax purposes, is treated as a resident of Peru. A legal entity is treated as a Peruvian tax resident whether it has been incorporated in Peru, or it is deemed to be a permanent establishment in Peru of a foreign entity. An individual is deemed to be a Peruvian tax resident if such individual (i) is a Peruvian citizen and has a regular residence in Peru, or (ii) is not a Peruvian citizen but has resided in Peru for a period of at least 183 calendar days during any 12-month period.

The following considerations are general, and consequences may vary if a tax treaty signed by Peru is applicable. The tax treaties currently in force are those signed with Chile, Canada, Brazil, Portugal, Mexico, Korea, Switzerland and the Decision No. 578 applicable to countries that are members of the Andean Community (Colombia, Ecuador, Bolivia and Peru). If a non-Peruvian holder of the Notes is a resident of any of those countries, we recommend consulting an independent tax advisor.

Income tax

(a) *Payment of interest*

As: (i) the Issuer of the Notes is a company that does not qualify as an entity domiciled in Peru for purposes of the Peruvian Income Tax Law (*Ley del Impuesto a la Renta*), whose Unified Text has been approved by Supreme Decree N° 179-2004-EF, as amended, and its regulations, approved by Supreme Decree N° 122-94-EF, as amended; and, (ii) the net proceeds from the offering of the Notes will not be

directly placed or economically used in Peru; interest paid on the Notes to non-Peruvian holders will not be subject to Peruvian income tax.

On the other hand, interest paid on the Notes to Peruvian holders (companies incorporated and domiciled in Peru and individuals domiciled in Peru) will be taxable income of foreign source under Peruvian Income Tax Law and its regulations. Accordingly, Peruvian holders should include such interest within their foreign source taxable income, considering that the positive balance after off-setting such taxable income against their foreign source losses (except for losses generated in a "non-cooperative", "low tax" or "zero tax" countries or territories, as defined under Peruvian Income Tax Law and its regulations) should be incorporated within their net taxable income for purposes of their annual income tax return.

(b) Sale of the Notes

Proceeds received by a non-Peruvian holder on a sale, exchange or disposition of the Notes will not be subject to Peruvian income tax.

Proceeds received by Peruvian holders on a sale, exchange or disposition of the Notes, will be taxable income of foreign source under Peruvian Income Tax Law and its regulations, and Peruvian holders should include such proceeds within their foreign source taxable income, considering that the positive balance after off-setting such taxable income against their foreign source losses (except for losses generated in a "non-cooperative", "low tax" or "zero tax" countries or territories, as defined under Peruvian Income Tax Law and its regulations), should be incorporated within their net taxable income for purposes of their annual income tax return.

(c) Redemption of the Notes

Any premium received by a non-Peruvian holder upon an early redemption of the Notes will not be subject to Peruvian income tax. Any premium received by Peruvian holders upon an early redemption of the Notes, will be taxable income of foreign source under Peruvian Income Tax Law and its regulations, and Peruvian holders should include such premium within their foreign source taxable income, considering that the positive balance after off-setting such taxable income against their foreign source losses (except for losses generated in a "non-cooperative", "low tax" or "zero tax" countries or territories, as defined under Peruvian Income Tax Law and its regulations), should be incorporated within their net taxable income for purposes of their annual income tax return.

Non-Peruvian holders of the Notes should consult an independent tax advisor regarding the specific Peruvian income tax considerations of, among others, acquiring, owning or disposing of the Notes.

Value added tax

Interests paid on the Notes are not subject to Peruvian Value added tax (*Impuesto General a las Ventas*, or "VAT").

The sale, exchange or disposition of the Notes is not subject to VAT.

Financial transaction tax

In Peru, there is a financial transactions tax or "FTT", which taxes at a rate of 0.005% any debit or credit made in an account opened with a Peruvian bank or any other financial institution, within the Peruvian Financial System or "PFS", either in Peruvian or foreign currency. Therefore, the issue price paid for the Notes deposited in a PFS bank account will be subject to FTT, as will the subsequent withdrawal of that amount. Likewise, interest and principal paid from or deposited in a PFS bank account will also be subject to the FTT. The taxpayer of the FTT is the holder of the PFS bank account.

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

Under Art. 3.1 of the Personal Income Tax Act dated 26 July (the "**PIT Act**"), natural persons, if residing in the Republic of Poland, are liable for tax on their total income (revenue) irrespective of the location of the sources of revenue (unlimited obligation to pay tax).

Under Art. 3.1a of the PIT Act, 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.7 of 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 under Art.30a.1.2 of the PIT Act it 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; this principle also applies to remitters who are payers of corporate income tax and are subject to limited tax liability in Poland, to the extent they conduct their business through a foreign establishment and it is to that establishment's operations that the securities account is linked.

There are no regulations defining in which cases income earned (revenue) by a Polish tax resident should be considered income (revenue) earned in Poland. However, it cannot be excluded that in practice the tax authorities will apply the regulations concerning non-residents. Pursuant to Art. 3.2b of the PIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

1. work performed in the Republic of Poland based on a service relationship, employment relationship, outwork system and co-operative employment relationship irrespective of the place where remuneration is paid;
2. activity performed in person in the Republic of Poland irrespective of the place where remuneration is paid;
3. economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
4. immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from disposal of any rights to such property;

5. securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;
6. the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity or receivables being a consequence of holding those shares, rights and obligations or participation – if at least 50% of the value of assets of this company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
7. the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding and performing the agreement; and
8. unrealised gains as referred to in the exit tax regulations.

The above list is not exhaustive; therefore, the tax authorities may also consider that income (revenues) not listed above is sourced in Poland.

Given the above, each situation should be analysed to determine whether interest earned by a Polish tax resident individual from the Notes is considered to be income sourced in Poland and whether the entity operating the securities account for the individual will withhold the tax. Since the Issuer is not a Polish entity as a rule interest from Notes should not be considered as earned in the territory of Poland, unless specific situation occurs (eg the Notes are admitted to public trading in Poland).

Although this is not clearly regulated in Polish tax law, in fact, foreign entities do not act as Polish withholding tax remitters. Therefore, it should be expected that the issuer itself or a non-Polish entity operating the securities account for the individual will not withhold the tax.

Under Art. 45.3b of the PIT Act, if the tax is not withheld, the individual is obliged to settle the tax himself/herself, and the tax should be settled by 30 April of the following year.

Separate, specific rules apply to interest income on securities held on Polish omnibus accounts (within the meaning of the provision of the Act on Trading in Financial Instruments, hereinafter **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. This rule also applies to remitters who are payers of corporate income tax and are subject to limited tax liability in Poland, to the extent they conduct their business through a foreign establishment and it is to that establishment's operations that the securities account is linked.

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 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.

Under Art. 45.3c of the PIT Act, taxpayers are obliged to disclose the amount of interest (discount) on securities (including the Notes referred to herein) in the annual tax return if the Notes were registered in Omnibus Account and the taxpayer's identity was not revealed to the tax remitter.

Under Art. 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 per cent. tax on the interest amount, could be deducted from the Polish tax liability. Double tax treaties can provide other methods of withholding tax settlements.

(a) 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. No tax or tax advances are withheld by the person making the payments.

(b) 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

Under Art. 3.1 of the Corporate Income Tax Act dated 15 February 1992 (the "**CIT Act**") the entire income of taxpayers who have their registered office or management in Poland is subject to tax obligation in Poland, irrespective of where the income is earned.

The appropriate tax rate is the same as the tax rate applicable to business activity, ie 19 per cent. for a regular corporate income taxpayer or 9 per cent. for small and new taxpayers.

A Polish tax resident corporate income taxpayer 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 within the same source of income, called capital profits (*zyski kapitałowe*). In the case of insurers, banks and some other entities (financial institutions), this revenue is included in revenues other than revenues from capital gains. 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.

Although no Polish withholding tax should apply on interest payable to Polish corporate income taxpayers, under specific rules applying to interest income on securities held in Omnibus Accounts, under Art. 26.2a of the CIT Act, for income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld for a Polish tax resident corporate income taxpayer, to receive a refund of such tax, the entity should contact its tax advisor.

Any withholding tax incurred outside Poland (including countries which have not concluded any tax treaty with Poland), up to an amount equal to the tax paid abroad, but not higher than the tax calculated in accordance with the applicable domestic tax rate, can be deducted from the Polish tax liability. Double tax treaties can provide other methods of withholding tax settlements.

Notes held by a non-Polish tax resident (natural person or corporation)

Under Art. 3.2a of the PIT Act, natural persons, if they do not reside in Poland, are liable to pay tax only on income (revenue) earned in Poland (limited obligation to pay tax).

Under Art. 3.2 of the CIT Act, in the case of taxpayers who do not have their registered office or management in Poland, only the income they earn in Poland is subject to tax obligation in Poland.

Non-Polish tax resident individuals and corporate income taxpayers are subject to Polish income tax only with respect to their income earned in Poland. Until 1 January 2017, there were no provisions clarifying the territory where such income for corporate income tax purposes is generated. Since that date, under Art. 3.3 of the CIT

Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

1. all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
2. immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property;
3. securities and derivatives other than securities, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these securities or derivatives, or the exercise of rights resulting from them;
4. the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity or receivables being a consequence of holding those shares, rights and obligations or participation - if at least 50% of the value of assets of this company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
5. the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding or performing the agreement; and
6. unrealised gains referred to in the exit tax regulations.

Similar provisions are included in Art. 3.2b of the PIT Act.

It should be noted that the list of incomes (revenues) gained in Poland, as provided in Art. 3.3. of the CIT Act and Art. 3.2b of the PIT Act is not exhaustive, therefore, other income (revenues) may also be considered as earned in Poland.

Given the above, each situation should be analysed to determine whether interest earned by a Polish tax resident from the Notes is considered to be income sourced in Poland. However, since the issuer is not a Polish entity, income from the Notes should not be considered as earned in Poland and no Polish withholding tax should apply, unless specific circumstances occur, e.g. the Notes are admitted to public trading in Poland.

If income from the Notes is considered as sourced in Poland, the following applies:

(a) Special exemption for notes meeting special conditions

Under Art. 17.1.50c of the CIT Act, tax-free income is income earned by a CIT taxpayer subject to limited tax liability in Poland in respect of interest or a discount on notes:

- (i) having a maturity of at least one year;
- (ii) admitted to trading on a regulated market or introduced into an alternative trading system within the meaning of the Act of 29 July 2005 on Trading in Financial Instruments, in the territory of Poland or in the territory of a state that is a party to a double tax convention concluded with Poland which regulates the taxation of income from dividends, interest and royalties;

unless the taxpayer is an affiliate, within the meaning of the transfer pricing law, of the issuer of such notes, and holds, directly or indirectly, together with other affiliates within the meaning of those regulations, more than 10% of the nominal value of those notes.

Under Art. 26.1aa-1ac of the CIT Act, remitters are not obliged to withhold tax on interest or discount in respect of the notes meeting the above requirements, provided that the issuer submits to the tax authority a declaration that it has acted with due diligence in informing affiliates, within the meaning of the transfer pricing provisions, about the exemption conditions applying to those affiliates. The

declaration is made once in relation to a given issue of notes, not later than the date of the payment of interest or discount on the notes.

Analogous provisions apply to personal income tax (Art. 21.1.130c and Art. 41.24-26 of the PIT Act).

(b) Failure to meet the conditions for a special exemption

It should be noted that the list of incomes (revenues) gained in Poland, as provided in Art. 3.3. of the CIT Act and Art. 3.2b of the PIT Act is not exhaustive, therefore, other income (revenues) may also be considered as earned in Poland.

In the absence of the exemption referred to above, the following rules apply.

In the case of taxpayers subject to limited tax liability in Poland, the interest (discount) on the Notes earned in the Polish territory is taxed as a general rule at a flat rate of 20 per cent. in the case of corporate income tax payers (Art. 21.1.1 of the CIT Act) or 19 per cent. in the case of natural persons (Art. 30a.1.2 of the PIT Act). Under Art. 26.1 of the CIT Act, interest payers, other than individuals not acting within the scope of their business activity, should withhold this tax and a similar provisions are provided in Art. 41.4 of the PIT Act.

Under Art. 26.2c.1 of the CIT Act, the entities operating securities accounts and Omnibus Accounts for taxpayers, acting as tax remitters, should withhold this interest income if such interest income (revenue) was earned in Poland and is connected with securities registered in said accounts, and the interest payment to the taxpayer is made through said entities. Although it is considered that foreign entities do not act as Polish tax remitters, according to the discussed provision, this obligation applies to non-residents to the extent they operate a permanent establishment in Poland and the account, on which securities are registered, is linked to the activity of this permanent establishment. Similar provisions concerning interest payments to individuals are provided in Art. 41.4d of the PIT Act.

The described rules of taxation may be modified by the relevant provisions of double tax treaties concluded by Poland, based on which a reduced tax rate or income tax exemption may apply to income (revenue) obtained from interest/discount (Art. 21.2 of the CIT Act, Art. 30a.2 of the PIT Act). To benefit from the tax rate or income tax exemption under the tax treaty, the taxpayer should present a valid certificate of its tax residence. As a rule, the tax residence certificate is considered valid for twelve consecutive months from its date of issue.

Moreover, many tax treaties provide protection only for beneficial owners. Pursuant to Art. 4a.29 of the CIT Act and, respectively, Art. 5a.33d of the PIT Act, beneficial owner means an entity meeting all of the following conditions:

- (i) it receives the amount due for its own benefit, which includes deciding independently about its purpose, and bears the economic risk associated with the loss of that receivable or part of it;
- (ii) it is not an intermediary, representative, trustee, or another entity legally or actually obliged to transfer the receivable in whole or in part to another entity; and
- (iii) it conducts real business activity in the country of its registration, if the receivables are obtained in connection with the conducted business activity.

The majority of double tax treaties concluded by Poland provide for an exemption from income tax on capital gains, including income from the sale of notes obtained in Poland by a tax resident of a given country.

Separate, specific rules apply to interest income on securities held in Omnibus Accounts. In cases where Polish withholding tax should not apply on interest payable to non-Polish tax residents (natural persons or corporate income taxpayers), under specific rules applicable to interest income on securities held in Omnibus Accounts there is a risk that such tax would be withheld. Under Art. 26.2a of the CIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20% flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Art. 30a.2a of the PIT Act, with respect to income (revenue) from

interest transferred to taxpayers holding rights attached to securities registered in 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 from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld for non-Polish tax resident taxpayers, to receive a refund of such tax, the entity should contact its tax advisor regarding a refund of such tax.

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, with some necessary additional requirements (eg the requirement to present the interest payer with a certificate of tax residence along with a declaration that the interest is related to the establishment's activities).

(c) Special provisions on withholding tax on large payments.

Under Art. 26.2e of the CIT Act, if the total amount paid out on account of the items listed in Art. 21.1 of the CIT Act (including interest on notes) and Art. 22.1 of the CIT Act to the same taxpayer exceeds PLN 2,000,000 in the tax year of the payer, payers are, as a general rule, required to withhold, on the day of payment, a flat-rate income tax at the basic rate (20 per cent. in the case of interest/discount on notes) from the excess over that amount, without being able not to withhold that tax on the basis of an appropriate double tax treaty, and also without taking into account exemptions or rates resulting from special regulations or double tax treaties (hereinafter the Obligation to Withhold Tax).

Under Art. 26.2i and 26.2j of the CIT Act, if the payer's tax year is longer or shorter than 12 months, the amount to which the Obligation to Withhold Tax applies is calculated by multiplying 1/12 of PLN 2,000,000 and the number of months that have begun in the tax year in which the payment was made; if the calculation of that amount is not possible by reference to the payer's tax year, the Obligation to Withhold Tax shall apply accordingly to the payer's current financial year and, in its absence, with respect to the payer's other period with features specific to the financial year, not longer however than 23 consecutive months.

Under Art. 26.2k of the CIT Act, if the payment was made in a foreign currency, to determine whether the amount to which the Obligation to Withhold Tax applies was exceeded, the amounts paid are converted into PLN at the average exchange rate published by the National Bank of Poland on the last business day preceding the payment day.

Under Art. 26.2l of the CIT Act, if it is not possible to determine the amount paid to the same taxpayer, it is presumed that it exceeded the amount from which the Obligation to Withhold Tax applies.

Under Art. 26.7a of the CIT Act, the Obligation to Withhold Tax does not apply if the payer has declared that:

- (i) it holds the documents required by the tax law for the application of the tax rate or tax exemption or non-taxation under special regulations or double tax treaties;
- (ii) after the verification of the conditions to apply an exemption or reduced withholding tax rate resulting from special regulations or double tax treaties, it is not aware of any grounds for the assumption that there are circumstances that exclude the possibility of applying the tax rate or tax exemption or non-taxation under special regulations or double tax treaties, in particular it is not aware of the existence of circumstances preventing the fulfilment of certain conditions referred to in other regulations, including the fact that the interest recipient is their beneficial owner and, if the interest is obtained in connection with the business activity conducted by the taxpayer, that in the country of tax residence the taxpayer carries on the actual business activity.

The above is to be declared by the head of the unit within the meaning of the Accounting Act (eg the Issuer's management board), specifying his/her position. The declaration cannot be made by proxy. The declaration is to be made by in electronic form not later than the payment day (Art. 26.7b and 26.7c of the CIT Act).

In the case of withholding tax as a result of the Obligation to Withhold Tax, if double tax treaties or special regulations provide for a tax exemption or reduced tax rate, the taxpayer or tax remitter (if the taxpayer has paid tax with its own funds and has borne the economic burden of such tax, eg as a result

of a gross-up clause) may apply for a refund of that tax by submitting the relevant documents and declarations. When recognizing that the refund is justified, the tax authorities shall carry it out within six months.

Pursuant to the Regulation of the Minister of Finance dated 31 December 2018 regarding the exclusion or limited application of Art. 26.2e of the CIT Act (the Regulation), the application of the Obligation to Withhold Tax is excluded inter alia in relation to the following interest payments:

- (i) to central banks not having their registered office or management in the territory of the Republic of Poland, obtained from interest on treasury bonds issued by the State Treasury on the domestic market and acquired from 7 November 2015;
- (ii) to economic units established by a state administration body jointly with other States under an agreement or contract, unless those agreements or contracts provide otherwise;
- (iii) to international organizations of which the Republic of Poland is a member;
- (iv) to entities with which the Republic of Poland has concluded cooperation agreements, if they have been exempted from corporate income tax on the receivables in question; and
- (v) to entities exempt from corporate income tax, provided that their name is indicated in double tax treaties to which the Republic of Poland is a party.

In addition, until 30 June 2019, the Obligation to Withhold Tax is excluded in respect of interest/discount on notes for taxpayers having their registered office or management in the territory of a state being a party to a double tax treaty with the Republic of Poland which regulates the taxation of income from dividends, interest and royalties, if there is a legal basis for exchanging tax information with the state of the taxpayer's registered office or management.

It should be noted that payments made in 2019, but before 30 June 2019, that are excluded from the Obligation to Withhold Tax under the Regulation, will be included in the above-mentioned limit from which the Obligation to Withhold Tax applies, in relation to payments made after 30 June 2019.

The Obligation to Withhold Tax does not apply in the case of the special exemption applicable to Notes meeting certain conditions referred to in the section Special exemption for Notes meeting special conditions above, provided that the Issuer submits to the tax authority a declaration that the Issuer has observed due diligence in informing its affiliates, within the meaning of the provisions on transfer pricing, about the terms of that exemption in relation to those affiliates. The declaration is made once in relation to a given issue of Notes, by no later than the date of the payment of interest on the Notes.

Analogous provisions apply to personal income tax, including Art. 41.12 of the PIT Act which provides for an analogous tax withholding obligation, while the Regulation of the Minister of Finance of 31 December 2018 regarding the exclusion or limited application of Art. 41.12 of the PIT Act is the equivalent of the Regulation.

Singapore

The statements made below are of a general nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines issued by the Monetary Authority of Singapore ("MAS") in force as of the date of this Base Prospectus and are subject to any changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, occurring after such date, which changes could be made on a retroactive basis.

Neither these statements nor any other statements in this Prospectus are intended or are to be regarded as advice on the tax position of any Noteholder or of any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and there may be additional taxation issues arising from particular types of Notes which have not been addressed in the statements. The statements also do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive tax incentive(s)) may be subject to special rules or tax rates. The statements also do not consider any

specific facts or circumstances that may apply to any particular purchaser. Prospective purchasers of Notes should consult their own professional advisers regarding their respective tax positions or any tax implications of the purchase, ownership or transfer of Notes.

General

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore. An individual is tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accrued in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore from outside Singapore.

However, foreign-sourced income in the form of, amongst certain other things, dividends received or deemed to be received in Singapore by Singapore tax residents will be exempt from income tax if certain prescribed conditions are met. The conditions for the exemption of foreign-sourced dividends include that the recipient must receive such income directly from a jurisdiction with a headline (or highest published) corporate rate of income tax on gains or profits from a trade or business of at least 15 per cent. and the foreign-sourced dividends (or the underlying income out of which the dividends were paid) must have been subject to tax in the foreign jurisdiction.

Certain concessions and clarifications have also been announced by the Inland Revenue Authority of Singapore ("IRAS") with respect to the above conditions.

Non-resident corporate taxpayers are subject to income tax on income accrued in or derived from Singapore, and on foreign-sourced income received in Singapore, subject to certain exceptions.

The corporate tax rate in Singapore is currently 17 per cent.. Certain exemptions or reductions in tax rate apply to the first S\$300,000 in chargeable income. It was announced in the Singapore Budget Statement 2018 that the partial exemptions will apply only to the first S\$200,000 in chargeable income, with effect from the year of assessment 2020.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accrued in or derived from Singapore except for certain specified investment income. All foreign-sourced income received (except for income received through a partnership in Singapore) in Singapore by Singapore tax resident individuals will be exempt from income tax if the Comptroller is satisfied that the tax exemption would be beneficial to the individual.

Non-resident individuals, subject to certain exceptions, are subject to income tax on income accrued in or derived from Singapore.

The rate of tax for Singapore resident individuals is tiered, subject to a maximum rate of 22 per cent.. Non-Singapore resident individuals are generally subject to tax at a rate equivalent to the top individual marginal tax rate, subject to certain exceptions.

Dividends paid by Singapore tax resident companies

All Singapore-resident companies are under the one-tier corporate tax system. Under this system, the tax on corporate profits is final and dividends paid by a Singapore resident company will be tax exempt in Singapore in the hands of a shareholder, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Interest and Other Payments on the Notes

Subject to the following paragraphs, under section 12(6) of the Income Tax Act, Chapter 134 of Singapore (the "ITA"), the following payments are deemed to be derived from Singapore:

- (a) any interest, commissions, fees or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness which
 - (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in

Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent.. The applicable rate for non-resident individuals is currently 22 per cent.. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities;
- (b) discount income (not including discount income arising from secondary trading) from debt securities; and
- (c) prepayment fee, redemption premium and break cost from debt securities,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

Exemption from Withholding Tax for payments made by Licensed Banks etc.

Payments falling within Section 12(6) of the ITA and made by (amongst certain other persons) licensed banks in Singapore to persons who are non-Singapore tax-residents (other than permanent establishments in Singapore):

- (a) between 1 April, 2011 and 31 March, 2021; or
- (b) on a contract which takes effect between 1 April, 2011 and 31 March, 2021,

will be exempt from tax, provided the payments are made for the purposes of the licensed bank's business in Singapore and the payments do not arise from a transaction to which the general anti-avoidance provisions in Section 33 of the ITA applies.

With effect from 17 February, 2012, (amongst certain other persons) licensed banks are no longer required to withhold tax on payments falling within Section 12(6) of the ITA which they are liable to make to permanent establishments in Singapore of a non-resident person:

- (a) between 17 February, 2012 and 31 March, 2021 on contracts that take effect before 17 February, 2012; and
- (b) on or after 17 February, 2012 on contracts that take effect between 17 February, 2012 to 31 March, 2021.

With effect from 21 February, 2014, the expiry date of 31 March, 2021 referred to in the immediately preceding paragraph does not apply to payments to Singapore branches of non-resident persons as the requirement to withhold tax from payments to Singapore branches has been lifted.

Notwithstanding the preceding paragraph, permanent establishments in Singapore of a non-resident person are required to declare such payments in their annual income tax returns and will be assessed to tax on such payments (unless specifically exempt from tax).

Qualifying Debt Securities Scheme

In addition, if more than half of the nominal amount of a tranche of Notes issued as debt securities under the Programme during the period from the date of this Prospectus to 31 December 2023 are distributed by financial institutions who have been awarded "Financial Sector Incentive (Bond Market) Company", "Financial Sector Incentive (Standard Tier) Company" or "Financial Sector Incentive (Capital Market) Company" status by the Minister for Finance of Singapore or such person as he may appoint and such tranche of Notes are debt securities issued on or after 1 January 2014 and on or before 31 December 2023 (hereinafter called "**Relevant Notes**"), such Relevant Notes would be "qualifying debt securities" for the purposes of the ITA, to which the following treatments shall apply:

- (i) (in a case where payments on the Relevant Notes falls within Section 12(6) of the ITA) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities to the MAS for the Relevant Notes within such period as may be specified and the inclusion by the relevant Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption shall not apply if the non-resident person acquires the Relevant Notes using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Relevant Notes, derived by a Noteholder who is not resident in Singapore and (A) who does not have any permanent establishment in Singapore, or (B) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from the operation of the Singapore permanent establishment, are exempt from Singapore tax;
- (ii) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities to the MAS for the Relevant Notes within such period as may be specified), Qualifying Income from the Relevant Notes derived by any company in Singapore or body of persons (as defined in the ITA) (other than a person which holds the relevant Financial Sector Incentive award(s) and which is subject to different tax rates) in Singapore is subject to tax at a concessionary rate of 10%; and
- (iii) (in a case where payments on the Relevant Notes falls within Section 12(6) of the ITA) subject to:
 - (1) the relevant Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall declare and include such income in a return of income made under the ITA; and
 - (2) the furnishing to the MAS of a return on debt securities for the Relevant Notes within such period as may be specified.

Qualifying Income derived from the Relevant Notes is not subject to withholding of tax by the relevant Issuer.

However, notwithstanding the foregoing:

- (a) if during the primary launch of any tranche of Relevant Notes, such Relevant Notes are issued to fewer than four persons and 50% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer, such Relevant Notes would not qualify as "qualifying debt securities"; and
- (b) even though a particular tranche of Relevant Notes may qualify as "qualifying debt securities", if, at any time during the tenure of such tranche of Relevant Notes, 50% or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the relevant Issuer, Qualifying Income derived by:
 - (1) any related party of the relevant Issuer; or
 - (2) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the relevant Issuer,

shall not be eligible for the tax exemption or the concessionary rate of tax described in the immediately preceding paragraphs.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "break cost", "prepayment fee" and "redemption premium" are defined in the ITA as follows:

- (a) "**break cost**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;
- (b) "**prepayment fee**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and
- (c) "**redemption premium**", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have their same meaning as in the ITA.

Notwithstanding that the relevant Issuer is permitted to make payments of interest, discount income, prepayment fee, redemption premium and break cost in respect of the Relevant Notes without deduction or withholding of tax under Sections 45 and 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax is required to declare and include such income in a return of income made under the ITA.

Capital Gains

There is no capital gains tax in Singapore. Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains from the sale of Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who acquire or are required to acquire Singapore Financial Reporting Standard 39 - Financial Instruments: Recognition and Measurement ("**FRS 39**"), Singapore Financial Reporting Standard 109 ("**FRS 109**") or Singapore Financial Reporting Standard (International) 9 (Financial Instruments) ("**SFRS(I) 9**") (as the case may be) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "*Adoption of FRS 39, FRS 109 or SFRS(I) 9 treatment for Singapore income tax purposes*".

Adoption of FRS 39, FRS 109 or SFRS(I) 9 treatment for Singapore income tax purposes

Subject to certain "opt-out" provisions, Section 34A of the ITA requires taxpayers who adopt or are required to adopt FRS 39 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 39, subject to certain exceptions provided in that section. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement" to provide guidance on the Singapore income tax treatment of financial instruments.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January, 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who adopt or who are required to adopt FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions provided in that section. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under the FRS 39 tax regime, FRS 109 tax regime or the SFRS(I) 9 tax regime should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Special tax rules for Notes which constitute negotiable certificates of deposit

Notwithstanding the paragraphs above, under Section 10(12) of the ITA, where a person derives interest from a negotiable certificate of deposit or derives gains or profits from the sale thereof, his income shall be treated as follows:

- (a) in the case of a financial institution, the interest and the gains or profits shall be deemed to be income from a trade or business under Section 10(1)(a) of the ITA;
- (b) in any other case, the interest and the gains or profits shall be deemed to be income from interest under Section 10(1)(d) of the ITA subject to the following provisions:
 - (1) if the interest is received by a subsequent holder of a certificate of deposit the income derived from such interest shall exclude the amount by which the purchase price exceeds the issued price of the certificate, except where that amount has been excluded in the computation of any previous interest derived by him in respect of that certificate; and
 - (2) where a subsequent holder sells a certificate after receiving interest therefrom the gains or profits shall be deemed to be the amount by which the sale price exceeds the issued price or the purchase price, whichever is the lower; and
- (c) for the purposes of paragraph (b) above, where a subsequent holder purchases a certificate at a price which is less than the issued price and holds the certificate until its maturity, the amount by which the issued price exceeds the purchase price shall be deemed to be interest derived by him.

Holders should consult their own professional tax advisers regarding the application of Section 10(12) of the ITA to the Singapore income tax consequences of their acquisition, holding or disposal of any negotiable certificates of deposit.

Goods and Services Tax

Under the Goods and Services Tax Act, Chapter 117A of Singapore ("**GST Act**"), the following are examples of exempt supplies not subject to Goods and Services Tax ("**GST**") under the Fourth Schedule to the GST Act:

- (a) the exchange of currency (whether effected by exchange of bank notes, currency notes or coin, by crediting or debiting accounts, or otherwise) other than the supply of a note or a coin as a collector's item, investment article or item of numismatic interest;
- (b) the issue, allotment or transfer of ownership of an equity security (i.e. any interest in or right to a share in the capital of a body corporate or any option to acquire any such interest or right);
- (c) the issue, allotment, transfer of ownership, drawing, acceptance or endorsements of a debt security (i.e. any interest in or right to be paid money that is, or is to be, owing by any person or any option to acquire any such interest or right but excludes a contract of insurance and an estate or interest in land, other than an estate or interest as mortgagee or chargeholder);
- (d) the provision of any loan, advance or credit;
- (e) the renewal or variation of an equity security or debt security or contract for the provision of any loan, advance or credit; or the provision or assignment of a derivative (i.e. a financial instrument that derives its value from an underlying financial asset, including options, swaps and credit default swaps) that does not lead to any delivery of goods or supply of any taxable services.

Holders of the Notes should, however, consult their own professional tax advisers regarding the Singapore GST consequences of their acquisition, holding, conversion or disposal of the Notes.

Stamp Duty

Stamp duty is generally not imposed on the issue or redemption for cash of Notes. Where an instrument of transfer of stocks or shares (including funded debt) is executed in Singapore, or is executed outside Singapore but is brought into Singapore, the transfer instrument would be subject to stamp duty of up to 0.2% of the amount or value of the consideration, or the value of the stocks or shares sold or transferred, whichever is higher. Transfers of securities on a scripless basis through the Central Depository (Pte) Limited are not subject to stamp duty. Transfers of stocks or shares by way of sale or gift of any stock issued by a company, corporation or body of persons incorporated, formed or established outside Singapore (other than stock registered in register kept in Singapore) are also exempt from stamp duty. Special rules apply to certain contracts or agreements for the sale of, or instruments of transfer of, equity interests in entities whose assets include significant Singapore residential property interests. A detailed description of these rules is beyond the scope of this tax section.

Prospective investors should consult their own professional advisers in respect of the Singapore stamp duty treatment of the issue, transfer or settlement of Notes, particularly where the Notes are capable of settlement by physical delivery. Any stamp duty payable on the issuance of a series of Exempt Notes will be specified in the applicable Pricing Supplement.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February, 2008.

Taxation in Switzerland

The following summary does not purport to be a comprehensive description of all Swiss tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and, in particular, does not consider specific facts or circumstances that may apply to a particular purchaser. It is for general information only and does not discuss all tax consequences of an investment in Notes under the tax laws of Switzerland. This summary is based on the tax laws of Switzerland currently in force and as applied on the date of this Base Prospectus which are subject to changes (or changes in interpretation) which may have retroactive effect. Prospective purchasers are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes in the light of their particular circumstances.

Swiss Income Tax

Swiss Resident Noteholders

Swiss residents receiving periodic interest payments during the investment or at redemption as one-time-interest generally must include these interest payments in their financial statements and/or in their income tax returns and owe individual income tax or corporate income tax on the relevant amounts.

Notes which are not straight debt instruments but have components of debt instruments and derivatives intertwined generally qualify as combined instruments. The tax treatment of such Notes depends on whether the Notes are considered as transparent or not for Swiss income tax purposes.

If the Note is considered as not transparent for Swiss income tax purposes, any amount received by the Noteholder (upon sale, laps, exercise or redemption) in excess of the amount invested (at issue or upon purchase) is treated as taxable income in the hands of the Noteholder if the Note qualifies as a note with predominant one-time interest payment. If the Note does not qualify as a note with predominant one-time interest payment, the Noteholder is subject to tax on the periodic interest payments and (at redemption) on the difference between initial issuance price and the redemption price. For the purpose of determining whether the Note is a note with predominant one-time interest payment the difference between initial issuance price and the redemption price is treated as one-time interest.

If the Note is considered as transparent for Swiss income tax purposes, it will be split notionally in a debt instrument and a derivative instrument component. Gains or losses on the derivative instrument component are treated as capital gains or losses (see below). Interest payments received during the investment, at laps or exercise or at redemption as one-time interest related to the debt instrument component are treated as taxable income in the hands of the Noteholder. Such a treatment is also applicable for the purpose of determining whether the Note is a note with predominant one-time interest payment.

The Note is generally considered as transparent if the debt and the derivative components are traded separately or if the different elements of the Note (such as the guaranteed redemption amount, the issuance price of the debt component, the interest rates determining the issuance price of the debt component) are separately stated in the sales documentation as well as in the offering prospectus and if each one of such components is separately evaluated. Such evaluation has to be performed through calculations of financial mathematics determining the intrinsic value of the debt instrument and the derivative instrument components contained in the Note. In particular, the calculations have to determine the notional issuance price of the debt instrument, based on the interest rate taken into account by the issuer which has to be at market value. The Swiss Federal Tax Administration has to approve such calculations. Such calculations have to be reviewed on a quarterly basis in order to take into account the evolution of the interest rates. If the tax authorities are not provided with sufficient information the Notes can be treated as not transparent. Products with prevalent structures but for which the issuer does not provide the information allowing to distinguish the different elements of a product as described above are made transparent in retrospect by the tax authorities, banks or other channels of distribution if the following requirements are fulfilled: (a) the issuer of the product must have at least a single-A-rating; and (b) the product at hand has to be admitted to official quotation at the commercial exchange market or, at least, a market maker has to insure liquid trading of the product at hand. Liquid trading by a market maker is a condition that the key data of the product can be used as credible basis of calculation.

Notes which are linked to underlying assets, such as bonds, shares, or baskets of such assets may also be treated, under certain circumstances, as direct investments in bonds, shares or in an investment fund. Notes linked to a basket of investment funds may be treated as an investment in an investment fund.

Notes in the form of reverse convertibles linked to shares, precious metals and commodities with no guaranteed payments and a duration of less than or equal to one year may be treated as straight derivatives.

Non-Swiss Resident Noteholders

Under present Swiss tax law, a Noteholder who is a non-resident of Switzerland and who, during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to taxation in Switzerland for any other reason, will not be subject to any Swiss federal, cantonal or municipal income tax on interest of the Notes.

Capital Gains

Swiss Resident Private Noteholders

Swiss resident Noteholders who do not qualify as so-called professional securities dealer for income tax purposes ("*gewerbsmässiger Wertschriftenhändler*") and who hold the Notes as part of their private (as opposed to business) assets are hereby defined as Swiss Resident Private Noteholders.

Swiss Resident Private Noteholders realise a tax free capital gain upon the disposal of Notes which do not qualify as notes with predominant one-time interest payment and realise taxable income if the Notes qualify as notes with one-time predominant interest payment.

The tax treatment of capital gains on Notes which qualify as combined instruments (see above) depends on whether the Note qualifies as tax transparent or not. Notes which are not transparent for Swiss income tax purposes (see above) generally qualify as notes with predominant one-time interest payment and are treated as such. Notes which qualify as tax transparent are notionally split into a debt instrument and a derivative instrument component. The debt instrument component follows the usual tax treatment either as note with predominant one-time interest payment or as note with no predominant one-time interest payment as applicable. Capital gains arising from the derivative instrument component of transparent Notes are generally not subject to income tax in the hands of Swiss Resident Private Noteholders.

"Swiss Income Tax", "Swiss Resident Noteholder".

Swiss Resident Business Noteholders

Gains realised on the sale of Notes, by Swiss resident individual Noteholders holding the Notes as part of their business assets as well as by Swiss resident legal entity Noteholders, are part of their business profit subject to individual income tax or corporate income taxes, respectively. The same applies to Swiss Resident Private Noteholders who qualify as so-called professional securities dealer ("*gewerbsmässiger Wertschriftenhändler*").

Non-Swiss Resident Noteholders

Under present Swiss tax law, a Noteholder who is a non-resident of Switzerland and who, during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to taxation in Switzerland for any other reason, will not be subject to any Swiss federal, cantonal or municipal income tax on gains realised on sale or redemption of the Notes.

Swiss Stamp Duties

The issuance of the Notes is not subject to Swiss transfer stamp duty, except in case that the Notes qualify as units in a foreign collective investment scheme. In such a case, Swiss transfer stamp duty at the current rate of up to 0.3% may apply.

The subsequent sale or transfer of the Notes with a duration of more than one year may be subject to Swiss transfer stamp duty at the current rate of up to 0.3% if such sale or transfer is made by or through the intermediary of a Swiss or Liechtenstein bank or other securities dealer as defined in the Swiss Stamp Tax Act and no exemption applies. The same applies in case of physical delivery of the underlying being a taxable security in the meaning of the Swiss Stamp Tax Act at redemption.

Swiss Withholding Tax

All payments in respect of the securities issued by a non-Swiss issuer are currently not subject to Swiss withholding tax ("*Verrechnungssteuer*") provided that the Issuer of the securities is at all times domiciled and effectively managed outside of Switzerland.

On 4 November 2015, the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to be similar to the one contemplated in the draft legislation published by the Swiss Federal Council on 17 December 2014, which was subsequently withdrawn on 24 June 2015. However, on 23 October 2017, the Swiss Federal Economic Affairs and Taxation Committee of the Swiss National Council filed a parliamentary initiative reintroducing the request to replace the current debtor-based regime applicable to interest payments with a paying agent-based system that (i) subjects all interest payments made to individuals resident in Switzerland to Swiss withholding tax and (ii) provides for an exemption from Swiss withholding tax for interest payments to all other persons (including Swiss corporations). On 26 June 2019 the Swiss Federal Council announced a consultation project to be ready for autumn 2019.

If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Issuing and Paying Agent would be obliged to pay additional amounts with respect to any security as a result of the deduction or imposition of such Swiss withholding tax.

Automatic Exchange of Information

On 19 November, 2014, Switzerland signed the Multilateral Competent Authority Agreement (the **MCAA**). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the **AEOI**). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the **AEOI Act**) entered into force on 1 January, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including the Instruments, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities. The new regime may come into force earliest in 2020.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, withholding may be required on, among other things, (i) certain payments made by "foreign financial institutions" ("**foreign passthru payments**") and (ii) dividend equivalent payments (as described below in "*U.S. Dividend Equivalent Withholding*"), in each case, to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes.

Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. If withholding would be required pursuant to FATCA or an IGA with respect to foreign passthru payments, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and 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 on or before the relevant grandfathering date would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). The grandfathering date for (A) Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, and (B) Notes that give rise to a dividend equivalent pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, is six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents. If additional notes (as described under "*Terms and Conditions—Condition 13 (Further Issues)*") that are not distinguishable from such previously issued grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

U.S. Dividend Equivalent Withholding

Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") 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) or (ii). U.S. Treasury regulations issued under Section 871(m) and applicable guidance (the "**Section 871(m) Regulations**") require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as dividend equivalent payments. 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 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. Additionally, the Issuer may withhold the full 30% tax on any payment on the Notes in respect of any dividend equivalent arising with respect to such Notes regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a holder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A holder may be able to claim a refund of any excess withholding provided the required information is timely furnished to the IRS. Refund claims are subject to U.S. tax law requirements and there can be no assurance that a particular refund claim will be timely paid or paid at all. 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 on or after 1 January 2017. If the terms of a Note are subject to a "significant modification" (as defined for U.S. tax purposes), the Note generally would be treated as retired and reissued on the date of such modification for purposes of determining, based on economic conditions in effect at that time, whether such Note is a Specified Note. Similarly, if additional Notes of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of Notes out of inventory) after the original issue date, the IRS could treat the issue date for determining whether the existing Notes are Specified Notes as the date of such subsequent sale or issuance. Consequently, a previously out of scope Note might be treated as a Specified Note following such modification or further issuance.

In addition, payments on the Specified Notes may be calculated by reference to dividends on underlying U.S. securities that are reinvested at a rate of 70 per cent. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30 per cent. of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

The Applicable Transaction Terms will indicate whether the Issuer has determined that Notes are Specified Notes and will specify contact details for obtaining additional information regarding the application of Section 871(m) to Notes. If Notes are Specified Notes, 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.

GENERAL INFORMATION

1. Application has been made to Euronext Dublin for Notes to be admitted to the Official List and trading on the regulated market of Euronext Dublin and to AIAF for the Notes to be admitted to listing and to trade on it as a regulated market.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by Euronext Dublin or AIAF 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 has obtained all necessary consents, approvals and authorisations in Ireland and 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 12 July 2019 and by an authorisation of the executive committee of the Guarantor on 8 July 2019.
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, which, if determined adversely to the Issuer, 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 and, to the best knowledge of the Issuer, no such actions, suits or proceedings are threatened or contemplated.
5. Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer.
6. Since 31 December 2018 there has been no significant change in the financial or trading position of the Issuer.
7. Clearing systems

Notes may 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. In addition, application may be made for Registered Notes to be accepted for trading in book-entry form (*anotaciones en cuenta*) by DTC. The CUSIP and/or CINS numbers for such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the Applicable Transaction Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II B-120 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JK Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

The Book-Entry Notes to be listed on a Spanish regulated market will be accepted for clearance through Iberclear. The ISIN for each Series of Notes allocated by Iberclear will be specified in the Applicable Transaction Terms. The address of Iberclear is Plaza de la Lealtad, nº 1, 28014 Madrid, Spain.

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, the Iberclear Paying Agent and each of the other Paying Agents:

- (i) the Agency Agreement;
- (ii) the Programme Manual (which includes the form of the Global Notes and Global Note Certificates, 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 2017 and 2018;
- (viii) the unaudited consolidated interim financial report for the Guarantor for the three-month period ended 31 March 2019;
- (ix) the annual report and financial statements of the Issuer for the years ended 31 December 2017 and 2018;
- (x) the 2018 Conditions, the 2018 Supplement, the 2017 Conditions, the 2017 Supplement, the 2016 Conditions, 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 or (in the case of Book-Entry Notes) the Iberclear 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 25 July 2018.

9. The non-consolidated and consolidated annual financial statements of Banco Santander, S.A. for the years ended 31 December 2017 and 31 December 2018 were audited by PricewaterhouseCoopers Auditores, S.L. PricewaterhouseCoopers Auditores, S.L. is registered under number S-0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). The financial statements of the Issuer for the years ended 31 December 2017 and 31 December 2018 were audited by PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, of 1 Spencer Dock, North Wall Quay, Dublin 1, Ireland. As registered auditors, PricewaterhouseCoopers are regulated by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), whose address is Willow House, Millennium Park, Naas, County Kildare, Ireland.

10. Copies of the latest financial statements of the Issuer and the annual report and audited consolidated and non-consolidated financial statements of the Guarantor may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding. The Guarantor does not prepare audited interim financial statements. The Issuer does not prepare 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 (except as specified in the section "*Documents Incorporated by Reference*") nor should the contents of such websites be deemed to be incorporated into this Base Prospectus.
12. A&L Goodbody 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 of and a Dealer under 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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