

Final Terms dated 20 December 2006

Santander International Debt, S.A. Unipersonal

Issue of EUR10,000,000 CMS Linked Notes due September 2021

(to be consolidated and form a single series with the existing EUR110,000,000 CMS Linked Notes due September 2021)

Guaranteed by Banco Santander Central Hispano, S.A.

under the **€32,000,000,000 Programme for the Issuance of Debt Instruments**
guaranteed by Banco Santander Central Hispano, S.A.

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 16 November 2006 save in respect of the Conditions which are extracted from the prospectus dated 18 November 2005 and its Supplemental Base Prospectuses dated 10 April 2006 and 26 July 2006 where applicable, which together constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5 4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 16 November 2006, which constitute a Base Prospectus for the purpose of the Prospectus Directive, save, where applicable and appropriate, in respect of the Conditions which are extracted from the prospectus dated 18 November 2005 (and its Supplemental Base Prospectuses dated 10 April 2006 and 26 July 2006). Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms, the Base Prospectus dated 16 November 2006 and, where applicable, the Base Prospectus dated 18 November 2005 and its Supplemental Base Prospectuses dated 10 April 2006 and 26 July 2006. The relevant Base Prospectus is available for viewing at the registered office of each of the Issuers and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, The Bank of New York at One Canada Square, London E14 5AL and at the offices of the Paying Agent and Listing Agent, The Bank of New York (Luxembourg) S.A. at Aerogolf Centre, 1A, Hohenhof, L-1736 Senningerberg, Grand Duchy of Luxembourg and on the website www.bourse.lu and copies may be obtained from the addresses specified above.

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|----|------|-----------------|--|
| 1. | (i) | Issuer: | Santander International Debt, S.A. Unipersonal |
| | (ii) | Guarantor: | Banco Santander Central Hispano, S.A. |
| 2. | (i) | Series Number: | 59 |
| | (ii) | Tranche Number: | 2 |

On exchange of the Temporary Global Note for the Permanent Global Note, the Notes will be consolidated and form a single series with the existing EUR110,000,000 CMS Linked Notes due September 2021, issued on 13 September 2006 as

Tranche 1.

3. Specified Currency or Currencies: Euro (EUR)
4. Aggregate Principal Amount:
 - (i) Series: EUR120,000,000
 - (ii) Tranche: EUR10,000,000
5. Issue Price: 100.00 per cent. of the Aggregate Principal Amount plus accrued interest from 13 December 2006 (the "Interest Commencement Date") to but excluding the Issue Date.
6. Specified Denominations: EUR50,000
7.
 - (i) Issue Date: 22 December 2006
 - (ii) Interest Commencement Date (if different from the Issue Date): 13 December 2006
8. Maturity Date: Interest Payment Date falling in September 2021
9. Interest Basis: Floating Rate provisions apply (modified as specified below)
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest or Redemption/Payment Basis: Not Applicable
12. Put/Call Options: Not Applicable
13.
 - (i) Status of the Instruments: Senior
 - (ii) Status of the Guarantee: Senior
 - (iii) Date Board approval for issuance of Instruments : 13 December 2006
14. Method of distribution: Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Instrument Provisions** Not Applicable
16. **Floating Rate Instrument Provisions** Applicable

Provisions

- (i) Interest Period(s): Quarterly
- (ii) Interest Payment Dates: Quarterly, on every 13 March, 13 June, 13 September and 13 December in each year, commencing from and including 13 March 2007 up to and including the Maturity Date
- (iii) Business Day Convention: Following Business Day Convention
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: The Rate of Interest in respect of each Interest Period from and including the Issue Date, to but excluding the Maturity Date, is payable quarterly in arrears and shall be the rate (expressed as a percentage on a per annum basis) calculated by the Calculation Agent in accordance with the following formula:

$$\text{Max } \{0; [(1 + \text{CMS10} - \text{Margin}) ^ (1/4)] - 1\} \%$$

Where:

“CMS10” means the 10 year EUR Constant Maturity Swap rate, which is the annual swap rate for a euro denominated interest swap transaction with a maturity of 10 years, as displayed at 11:00am Central European Time, or thereabouts, according to Telerate Page 42281, on the Interest Determination Date.

“Telerate” means the Moneyline Telerate Service (or such other services or service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto)

“Margin” as set out in Section 16(vii) below.

“Interest Determination Date” means two days prior to the start of each Interest Period.

If CMS10 do not appear on the Telerate Page 42281 at the relevant time on the relevant date, the Calculation Agent will request each of the Reference Banks (as defined below) to provide it with its Mid-Spot quotation for a ten year euro swap rate for which the relevant floating rate is six months EURIBOR, as at 11 00 a.m. Central European time on the Interest Determination Date

and the relevant swap rate shall be the arithmetic mean, as determined by the Calculation Agent, (rounded, if necessary, up to the nearest 1/16 per cent) of such quotations (being at least two)

"Reference Banks" means the principal office of five major banks which shall not include the Calculation Agent (as selected by the Calculation Agent) in the market for euro interest rate and currency exchange agreements.

"Mid Spot" means the arithmetic mean of the bid and offered rates for the annual fixed leg of a fixed-for-floating euro interest rate swap transaction.

"Calculation Agent" means Barclays Bank PLC

	(v)	Screen Determination	Rate	Applicable, as set out in Section 16(iv) above
	(vi)	ISDA Determination:		Not Applicable
	(vii)	Margin(s):		0.28 per cent. per annum.
	(viii)	Minimum Interest:	Rate of	Not Applicable
	(ix)	Maximum Interest:	Rate of	Not Applicable
	(x)	Day Count Fraction:		ACT/ACT (ICMA)
	(xi)	Fall back provisions, rounding provisions denominator and any other terms relating to the method of calculating interest on Floating Rate Instruments if different from those set out in the Conditions:		As set out in Section 16(iv) above
17	Non-Interest Instrument Provisions		Bearing	Not Applicable
18	Index-Linked Instrument/ other Linked Interest Instrument		Interest Variable-	Not Applicable

Provisions

19. **Other Rates Provisions:** Not Applicable

PROVISIONS IN RELATION TO REDEMPTION

20. **Call Option:** Not Applicable
21. **Put Option** Not Applicable
22. **Maturity Redemption Amount of each Instrument** EUR50,000 per Instrument of EUR50,000 specified denomination
23. **Early Redemption Amount (Tax)**
- Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): As set out in the Conditions

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

24. **Form of Instruments:** Bearer:
- Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument.
25. **Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature):** No
26. **Details relating to Partly Paid Instruments: amount of each payment comprising the Issue** Not Applicable

Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment:

- | | | |
|-----|--|--------------------------------|
| 27. | Business Day: | TARGET and London |
| 28. | Relevant Financial Centre: | London |
| 29. | Relevant Financial Centre Day: | TARGET Business Day and London |
| 30. | Details relating to Instalment Instruments: amount of each Instrument, date on which each payment is made: | Not Applicable |
| 31. | Temporary Commissioner: | Mr. Jesús Merino |
| 32. | Other final terms: | Applicable |

(i) The Terms and Condition for the Base Prospectus dated 18 November 2005 and its supplemental base prospectuses dated 10 April 2006 and 26 July 2006 attached in the Annex where applicable (in conjunction with the Base Prospectus dated 16 November 2006 as applicable).

(ii) In relation to these Instruments (Series 59, Tranche 2) JP Morgan Chase Bank, N.A. London Branch has been appointed as substitute Issue and Paying Agent and J.P. Morgan Bank Luxembourg has been appointed as substitute Luxembourg Paying Agent.

(iii) The following references in the Terms and Conditions shall be deemed to be replaced as follows:

In the "Introduction":

1. "an amended and restated issue and paying agency agreement (the **"Issue and Paying Agency Agreement"**, which expression shall include any amendments or supplements thereto) dated 17 November 2005 and made between Santander International Debt, S.A. Unipersonal

(**"Santander International"**) and Santander Issuances, S.A. Unipersonal (**"Santander Issuances"**) (each an **"Issuer"** and together, the **"Issuers"**), Banco Santander Central Hispano, S.A. (the **"Guarantor"**), JPMorgan Chase Bank, N.A., London Branch in its capacities as issue and paying agent and principal registrar (the **"Issue and Paying Agent"** which expressions shall include any successor to JPMorgan Chase Bank, N.A., London Branch in its capacities as such), J.P. Morgan Bank Luxembourg S.A. in its capacity as alternative registrar (the **"Alternative Registrar"**, which expression shall include any successor to J.P. Morgan Bank Luxembourg S.A. in its capacity as such) and the paying agents named therein (the **"Paying Agents"**, which expression shall include the Issue and Paying Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement)"

shall be replaced with:

"an issue and paying agency agreement (the **"Issue and Paying Agency Agreement"**, which expression shall include any amendments or supplements thereto) dated 16 November 2006 and made between Santander International Debt, S.A. Unipersonal (**"Santander International"**) and Santander Issuances, S.A. Unipersonal (**"Santander Issuances"**) (each an **"Issuer"** and together, the **"Issuers"**), Banco Santander Central Hispano, S.A. (the **"Guarantor"**), The Bank of New York in its capacities as issue and paying agent and principal registrar (the **"Issue and Paying Agent"** which expressions shall include any successor to The Bank of New York in its capacities as such), The Bank of New York (Luxembourg) S.A. in its capacity as alternative registrar (the **"Alternative Registrar"**, which expression shall include any successor to The Bank of New York (Luxembourg) S.A. in its capacity as such) and the paying agents named therein (the **"Paying Agents"**, which expression shall include the Issue and Paying Agent and any substitute or additional paying agents appointed in

accordance with the Issue and Paying Agency Agreement)."

2 "The Issuers have executed and delivered a deed of covenant dated 17 November 2005 (the **"Deed of Covenant"**). The Guarantor has, for the benefit of the Holders of the Senior Instruments from time to time, executed and delivered a deed of guarantee (the **"Senior Guarantee"**) dated 17 November 2005"

shall be replaced with:

"The Issuers have executed and delivered a deed of covenant dated 16 November 2006 (the **"Deed of Covenant"**) The Guarantor has, for the benefit of the Holders of the Senior Instruments from time to time, executed and delivered a deed of guarantee (the **"Senior Guarantee"**) dated 16 November 2006"

DISTRIBUTION

- | | | | |
|-----|-------|--|---|
| 33. | (i) | If syndicated, names and addresses of Managers and underwriting commitments: | Not Applicable |
| | (ii) | Date of Subscription Agreement | 20 December 2006 |
| | (iii) | Stabilising Manager: | Not Applicable |
| 34 | | If non-syndicated, name and address of Dealer/Manager: | Barclays Bank PLC
5 The North Colonnade
Canary Wharf
LONDON
E14 4BB |
| 35. | | Stabilisation Manager: | Not Applicable |
| 36. | | Additional Selling Restrictions: | Not Applicable |

37	ISIN:	XS0266336139
	Temporary ISIN:	XS0278527774
38	Common Code:	026633613
	Temporary Common Code:	027852777
	New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	No
39	Any Clearing System other than Euroclear and Clearstream, Luxembourg:	Not Applicable
40	Names and addresses of additional Paying Agent(s) (if any):	<p>(i) JP Morgan Chase Bank, N.A. London Branch Trinity Tower 9 Thomas More Street London E1W 1YT, as Substitute Issue and Paying Agent in relation to the Instruments</p> <p>(ii) JP Morgan Bank Luxembourg S.A. at European Bank & Business Centre 6 Route De Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg, as Substitute Luxembourg Paying Agent in relation to the Instruments</p>
41	Settlement Procedures:	Customary medium term note settlement and payment procedures apply.


LISTING AND ADMISSION TO TRADING APPLICATION

RESPONSIBILITY

The Issuer and the Guarantor accepts responsibility for the information contained in these Final Terms.

CONFIRMED

SANTANDER INTERNATIONAL DEBT, S.A. UNIPERSONAL

By: 

Authorised Signatory ANTONIO TORÍO

Date 20 December 2006

BANCO SANTANDER CENTRAL HISPANO, S.A.

By: 

Authorised Signatory JOSÉ ANTONIO SOLER

Date 20 December 2006

PART B — OTHER INFORMATION

1. LISTING

- (i) Listing: Luxembourg
- (ii) Admission to trading: Application has been made for the Instruments to be admitted to trading on Luxembourg Stock Exchange with effect from the Issue Date

2. RATINGS

Ratings: The Instruments to be issued have been rated:

S & P: AA-
Moody's: Aa3
Fitch: AA

- 3. **NOTIFICATION** Not Applicable

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

“Save as discussed in the Base Prospectus under “The Instruments. paragraph 5.4.3”, so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.”

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

- (i) Reasons for the General Funding purposes of the Group offer

- (ii) Estimated net EUR10,000,000, excluding accrued interest proceeds:

- (iii) Estimated total EUR 15,000 expenses:

- 6. **Fixed Rate Instruments only — YIELD** – Not Applicable

- 7 **Floating Rate Instruments only — HISTORIC INTEREST RATES**

Details of historic CMS10 can be obtained from Telerate .

- 8 **Index-Linked or other viable-linked Instruments only — PERFORMANCE OF INDEX/FORMULA/other variable, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS and other information concerning the underlying** Not Applicable
- 9 **OTHER TERMS AND CONDITIONS OF THE OFFER** Not Applicable
- 10 **DERIVATIVES ONLY** Not Applicable
- 11 An indication in the prospectus whether or not the issuer intends to provide post-issuance information. Where the issue has indicated that it intends to report such information, the issuer shall specify in the prospectus what information will be reported and where such information can be obtained. Not Applicable

ANNEX

TERMS AND CONDITIONS OF THE INSTRUMENTS

Introduction

The Instruments of each Tranche will be constituted by virtue of a public deed of issuance (the **"Public Deed of Issuance"**) to be executed before a Spanish notary public and to be registered with the Mercantile Registry of Madrid on or prior to the issue date, and which shall contain, among other information, the terms and conditions of the Instruments. The Instruments will be issued in accordance with an amended and restated issue and paying agency agreement (the **"Issue and Paying Agency Agreement"**, which expression shall include any amendments or supplements thereto) dated 17 November 2005 and made between Santander International Debt, S.A. Unipersonal (**"Santander International"**) and Santander Issuances, S.A. Unipersonal (**"Santander Issuances"**) (each an **"Issuer"** and together, the **"Issuers"**), Banco Santander Central Hispano, S.A. (the **"Guarantor"**), JPMorgan Chase Bank, N.A., London Branch in its capacities as issue and paying agent and principal registrar (the **"Issue and Paying Agent"** which expressions shall include any successor to JPMorgan Chase Bank, N.A., London Branch in its capacities as such), J.P. Morgan Bank Luxembourg S.A. in its capacity as alternative registrar (the **"Alternative Registrar"**, which expression shall include any successor to J.P. Morgan Bank Luxembourg S.A. in its capacity as such) and the paying agents named therein (the **"Paying Agents"**, which expression shall include the Issue and Paying Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Instruments (as defined below), the Issuer may appoint a Determination Agent (as defined under Condition 5D.04) for the purposes of such Instruments, in accordance with the provisions of the Issue and Paying Agency Agreement, and such Determination Agent shall be specified in the applicable Final Terms. The Issuers have executed and delivered a deed of covenant dated 17 November 2005 (the **"Deed of Covenant"**). The Guarantor has, for the benefit of the Holders of the Senior Instruments from time to time, executed and delivered a deed of guarantee (the **"Senior Guarantee"**) dated 17 November 2005 under which it has guaranteed the due and punctual payments of all amounts due by Santander International under the Senior Instruments issued in or after the date thereof as and when the same shall become due and payable. The Guarantor shall, on an issue by issue basis, on or before the issue date of any Subordinated Instruments, for the benefit of Holders of Subordinated Instruments from time to time, execute and deliver a deed of guarantee (the **"Subordinated Guarantee"**), under which it shall guarantee the due and punctual payment of all amounts due by Santander Issuances under the relevant Subordinated Instruments as and when the same shall become due and payable. Copies of the Issue and Paying Agency Agreement, the Deed of Covenant, the Senior Guarantee and the relevant Subordinated Guarantee are, or will be, available for inspection during normal business hours at the specified office of each of the Paying Agents, the Principal Registrar and the Alternative Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a **"Series"**), and each Series may comprise one or more tranches (**"Tranches"** and each, a **"Tranche"**) of Instruments. Each Tranche will be the subject of a Final Terms (each, a **"Final Terms"**), a copy of which will be available for inspection during normal business hours at the specified office of the Issue and Paying Agent and/or the Registrar (as defined in Condition 2.02), as the case may be, and, in the case of a Tranche of Instruments listed on the regulated market of the Luxembourg Stock Exchange and if the rules of such market so require, shall be obtainable at the specified office of the Paying Agent in Luxembourg. In the case of a Tranche of Instruments in relation to which application has not been made for admission for listing on any listing authority, stock exchange and/or quotation system, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, an Accountholder (as defined in the Deed of Covenant) in respect of, such Instruments.

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

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

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

1. Form and Denomination

1.01 Instruments are issued in bearer form ("Bearer Instruments") or in registered form ("Registered Instruments"), as specified in the Final Terms and are serially numbered. Registered Instruments are not exchangeable for Bearer Instruments.

Form of Bearer Instruments

1.02 Each Tranche of Bearer Instruments will be represented upon issue by a temporary global instrument (a "**Temporary Global Instrument**") in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. In the case of an exchange for Registered Instruments at any time and without any requirement for certification, but otherwise on or after the date (the "**Exchange Date**") which is forty days after the completion of the distribution of the Instruments of the relevant Tranche and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing systems) has been received, interests in the Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global instrument (a "**Permanent Global Instrument**") representing the Instruments of that Tranche and in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement; or
- (ii) if so specified in the relevant Final Terms, serially numbered definitive instruments ("**Definitive Instruments**") and/or (in the case of a Series comprising both Bearer Instruments and Registered Instruments and if so specified in the relevant Final Terms) Registered Instruments in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement.

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

1.04 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole (but not in part only), at the option of the Holder of such Permanent Global Instrument, for serially numbered Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the relevant Final Terms) Registered Instruments, (a) if any Instrument of the relevant Series becomes due and repayable following an Event of Default (as defined herein); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so or announces its intention to withdraw its acceptance of the Instruments for clearance and settlement through its system or in fact does so; or (c) if so specified in the Final Terms, at the option of the Holder of such Permanent Global Instrument upon such Holder's request, in all cases at the cost and expense of the Issuer, unless otherwise specified in the relevant Final Terms. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Issue and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Instruments and/or Registered Instruments and such default is

continuing at 6.00 p.m. (Luxembourg time) on the thirtieth day after the day on which the relevant notice period expires or, as the case may be, such Permanent Global Instrument becomes so exchangeable, such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

1.05 Interest-bearing Definitive Instruments will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Interest-bearing Definitive Instruments will also, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.

1.06 Bearer Instruments, the principal amount of which is repayable by instalments ("**Instalment Instruments**") have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal

Form of Registered Instruments

1.07 All Registered Instruments will be in individual form. There will be no global Registered Instruments. Registered Instruments will be in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. Registered Instruments will not be exchangeable for Bearer Instruments.

Denomination of Bearer Instruments

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

Denomination of Registered Instruments

1.09 Registered Instruments will be in the minimum denomination specified in the relevant Final Terms or integral multiples thereof. No Instruments may be issued under the Programme which have a minimum denomination of less than €1,000 (or equivalent in another currency).

Currency of Instruments

1.10 Instruments may be denominated in any currency, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

1.11 For the purposes of these Terms and Conditions, references to Instruments shall, as the context may require, be deemed to be to Temporary Global Instruments, Permanent Global Instruments, Definitive Instruments or, as the case may be, Registered Instruments

2. Title

2.01 Title to Bearer Instruments and Coupons passes by delivery. References herein to the "**Holders**" of Bearer Instruments or of Coupons are to the bearers of such Bearer Instruments or such Coupons.

2.02 Title to Registered Instruments passes by registration in the register which is kept by the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the relevant Final Terms. For the purposes of these Terms and Conditions, "**Registrar**" means, in relation to any Series comprising Registered Instruments, the Principal Registrar or, as the case may be, the Alternative Registrar, provided always that where such Series is to be listed on the Luxembourg Stock Exchange and if the rules of such stock exchange so require, "**Registrar**" shall mean the Alternative Registrar (J.P. Morgan Bank Luxembourg S.A.). References herein to the "**Holders**" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

2.03 The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest

thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments

2.04 A Registered Instrument may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

2.05 If so specified in the relevant Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Issue and Paying Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.06) where the exchange date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 9B.03) for such payment of interest and the date on which such payment of interest falls due.

2.06 Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will be available, within three Relevant Banking Days of the transfer date or the exchange date, as the case may be, for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Issue and Paying Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or the Issue and Paying Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions,

- (i) “**Relevant Banking Day**” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument, where such request for exchange is made to the Issue and Paying Agent, in the place where the specified office of the Issue and Paying Agent is located;
- (ii) the “**exchange date**” shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.05; and
- (iii) the “**transfer date**” shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.04 and all reasonable requirements of the Issuer and the Registrar shall have been satisfied in respect of such transfer.

2.07 The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the relevant Issuer, the Issue and Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the relevant Issuer, the Issue and Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

2.08 Upon the transfer, exchange or replacement of Registered Instruments bearing the private placement legend (the “**Private Placement Legend**”) set forth in the form of Registered Instrument scheduled to the Issue and Paying Agency Agreement, the Registrar shall deliver only Registered Instruments that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Instruments or (2) the last date

on which the relevant Issuer or any affiliates (as defined below) of the relevant Issuer as notified to the Registrar by the relevant Issuer as provided in the following sentence, was the beneficial owner of such Instrument (or any predecessor of such Instrument) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the relevant Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The relevant Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its "affiliates" (as defined in paragraph (a)(1) of Rule 144 under the Securities Act of 1933, as amended (the "**Securities Act**")) not to acquire any beneficial interest, in any Registered Instrument bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. The Registrar and all Holders of Instruments shall be entitled to rely without further investigation on any such notification (or lack thereof)

2.09 For so long as any of the Registered Instruments bearing the Private Placement Legend remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the relevant Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934 nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Holder of such Instruments in connection with any sale thereof and any prospective purchaser of such Instruments from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144(d)(4) under the Securities Act.

3. Status of the Instruments and the Guarantee

Status of Senior Instruments

This Condition 3.01 is applicable to Instruments issued by Santander International only

3.01 The Senior Instruments (being those Instruments which specify their status as Senior) and the Receipts and Coupons relating to them constitute direct, unconditional, unsubordinated and (without prejudice to the provisions of Condition 4) unsecured obligations of Santander International and rank *pari passu* and rateably without any preference among themselves and (subject to any applicable statutory exceptions and without prejudice as aforesaid) the payment obligations of Santander International under the Senior Instruments, Receipts and Coupons relating to them rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future.

Senior Guarantee

This Condition 3.02 is applicable to Instruments issued by Santander International only

3.02 The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, Receipts and Coupons on an unsubordinated basis. The obligations of the Guarantor in respect of Senior Instruments constitute direct, unconditional, unsubordinated and (without prejudice to Condition 4) unsecured obligations of the Guarantor and rank *pari passu* and rateably without any preference among such obligations of the Guarantor in respect of the Senior Instruments of the same Series and (subject to any applicable statutory exceptions and without prejudice as aforesaid) at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the Senior Guarantee.

Status of Subordinated Instruments

This Condition 3.03 is applicable to Instruments issued by Santander Issuances only

3.03 Status of Dated Subordinated Instruments: The Subordinated Instruments (being Instruments which specify their status as Subordinated) are direct, unconditional, subordinated and unsecured obligations of Santander Issuances ranking without preference or priority among themselves together with all other subordinated obligations of Santander Issuances other than subordinated obligations prescribed by law and subordinated obligations which are expressed to rank junior to the Subordinated Instruments.

Subordinated Guarantee

This Condition 3.04 is applicable to Instruments issued by Santander Issuances only

3.04 The Guarantor shall, on or before the date of issue (as specified in the relevant Final Terms) of any Subordinated Instruments, execute a guarantee in the form scheduled to the Base Prospectus dated 17 November 2005.

The Guarantor has unconditionally and irrevocably guaranteed, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the Subordinated Instruments. The obligations of the Guarantor in respect of the Subordinated Instruments constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor which will at all times rank *pari passu* with all other present and future subordinated obligations of the Guarantor except for certain subordinated obligations prescribed by law and subordinated obligations which are expressed to rank junior to the Guarantor's obligations under the Guarantee. In the event of insolvency (*concurso*) of the Guarantor, under Law 22/2003, claims relating to the Guarantee will fall within the category of "subordinated debts" (as defined in Law 22/2003). After payment in full of unsubordinated debts but before distributions to shareholders and creditors of the Guarantor which are characterised as holders of equity (*Otros Acreedores a Título Asimilable al de Aportación de Capital*), under article 92 of Law 22/2003, the Guarantor will meet such subordinated debts in the following order and pro rata within each class: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) contractually subordinated debt (such as the claims under the Guarantee); (iii) interest; (iv) fines; (v) claims of creditors which are related to the Guarantor; and (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (*rescisión concursal*) and in respect of which the court has determined that the relevant creditor has acted in bad faith.

4. Negative Pledge

(a) So long as any of the Senior Instruments, Receipts or Coupons remain outstanding (as defined in the Issue and Paying Agency Agreement) or any amount remains payable under the Senior Guarantee neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its present or future assets, undertakings or revenues as security for any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, Santander International's obligations under the Senior Instruments, Receipts and Coupons or, as the case may be, the Guarantor's obligations under the Senior Guarantee (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by a resolution of the relevant Syndicate of Holders of the Senior Instruments.

(b) For the purposes of this Condition, "**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in any listing authority, stock exchange, quotation system, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue.

(c) Nothing in this Condition 4 shall prevent Santander International or the Guarantor from creating or having outstanding any mortgage, lien (other than a lien arising by operation of law), pledge, charge or other security interest (for purposes of this Condition, each a "**Security**") upon, or with respect to, any of its present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice in Spain (where applicable) and whereby the Relevant Debt (or any guarantee or other obligation in respect of any Relevant Debt) secured by such Security or having the benefit of such secured guarantee or other obligation is limited to the value of such assets or revenues.

5. Interest

Instruments may be interest-bearing or non interest-bearing, as specified in the relevant Final Terms. In the case of non interest-bearing Instruments, an Issue Price and Amortisation Yield will, unless otherwise agreed, be specified in the relevant Final Terms. The Final Terms in relation to each Tranche of interest-bearing Instruments shall specify which of Condition 5A, 5B and/or 5C shall be applicable and Condition 5D will be applicable to each Tranche of interest-bearing Instruments as

specified therein save, in each case, to the extent inconsistent with the relevant Final Terms. In relation to any Tranche of interest-bearing Instruments, the relevant Final Terms may specify actual amounts of interest payable rather than, or in addition to, a rate or rates at which interest accrues.

5A Interest — Fixed Rate

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

5B Interest — Floating Rate Instruments and Index-Linked Interest Instrument Provisions

5B.01 Instruments in relation to which this Condition 5B is specified in the relevant Final Terms as being applicable, shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) determined in accordance with this Condition 5B. Condition 5D.02 shall apply to Instruments to which this Condition 5B applies

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

5B.03 Screen Rate Determination

If “**Screen Rate Determination**” is specified in the relevant Final Terms it shall also specify which page (the “**Relevant Screen Page**”) on the Reuters Screen or Moneyline Telerate or any other information vending service shall be applicable. For these purposes, “Reuters Screen” means the Reuter Money 3000 Services and “Telerate” means the Moneyline Telerate Service (or such other services or service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto). The rate of interest (the “**Rate of Interest**”) applicable to such Instruments for each Interest Period shall be determined by the Determination Agent (as defined in Condition 5D.04) on the following basis:

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

- (iv) if fewer than two rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (as defined in Condition 9C.03) (or, in the case of Instruments denominated in Euro, in such financial centre or centres as the Determination Agent may select) selected by the Determination Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

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

5B.04 ISDA Determination: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of interest applicable to the Instruments for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the 2000 Definitions of the International Swaps and Derivatives Association (the "ISDA Definitions") (as amended and updated as at the date specified in the relevant Final Terms) that would be determined by the Determination Agent under an interest rate swap transaction if the Determination Agent were acting as Determination Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

5B.05 Index-Linked Interest: If the Index-Linked Interest Instruments Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Instruments for each Interest Period will be determined in the manner specified in the relevant Final Terms.

5B.06 The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the principal amount of the smallest or minimum denomination of such Instruments specified in the relevant Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by a fraction (day count fraction) the numerator of which is the actual number of days in the Interest Period concerned and the denominator for which is 360 (or, in the case of Instruments denominated in Pounds Sterling, 365 or, when all or part of an Interest Period falls in a leap year, 366 for that proportion of the Interest Period so falling) or by such other day count fraction as may be specified in the relevant Final Terms and rounding the resulting figure to the nearest sub-unit of the currency in which such Instruments are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

5C Interest — Other Rates

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

5D Interest — Supplemental Provision

5D.01 Conditions 5D.02, 5D.03, 5D.04 and 5D.05 shall be applicable (as appropriate) in relation to all Instruments which are interest-bearing.

Interest Payment Date Conventions and other Calculations

5D.02 (a) Business Day Convention: The Final Terms in relation to each Series of Instruments in relation to which this Condition 5D.02 is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

- (i) the “**FRN Convention**”, in which case interest shall be payable in arrear on each date (each an “**Interest Payment Date**”) which numerically corresponds to their date of issue or such other date as may be specified in the relevant Final Terms or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Final Terms after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred provided that:
 - (a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined in Condition 9C.03) in that calendar month;
 - (b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;
- (ii) the “**Modified Following Business Day Convention**”, in which case interest shall be payable in arrear on such dates (each an “**Interest Payment Date**”) as are specified in the relevant Final Terms Provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day; or
- (iii) the “**Following Business Day Convention**” in which case interest shall be payable in arrear on such dates (each an “**Interest Payment Date**”) as are specified in the relevant Final Terms Provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day.
- (iv) “**No Adjustment**” in which case the relevant date shall not be adjusted in accordance with any Business Day Convention.
- (v) such other convention as may be specified in the relevant Final Terms

(b) **“Day Count Fraction”** means, in respect of the calculation of an amount for any period of time (**“Calculation Period”**), such day count fraction as may be specified in the Final Terms and:

- (i) if **“Actual/365”** or **“Actual/Actual”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if **“Actual/Actual (ICMA)”** is so specified, means:
 - (a) 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
 - (b) 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 (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iv) if **“Actual/360”** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **“30/360”** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st Day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (vi) if **“30E/360”** or **“Eurobond Basis”** is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

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

As used herein, the term **“Regular Period”** means:

- (i) in the case of Instruments 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;

- (ii) in the case of Instruments 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
- (iii) in the case of Instruments 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.

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

5D.03 The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Issue and Paying Agent. The Issue and Paying Agent will cause all such determination or calculations to be notified to the other Paying Agents and, in the case of Registered Instruments, the Registrar (from whose respective specified offices such information will be available) and to the Holders in accordance with Condition 14 as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or, if earlier, in the case of notification to any listing authority, stock exchange and/or quotation system, the time required by the rules of any such listing authority, stock exchange and/or quotation system. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 5D.03.

5D.04 The determination by the Determination Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties

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

Accrual of Interest

5D.05 Interest shall accrue on the principal amount of each Instrument or, in the case of an Instalment Instrument, on each instalment of principal, on the paid up principal amount of such Instrument or otherwise as indicated in the Final Terms from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) due presentation or surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Instruments or such other rate as may be specified in the relevant Final Terms (“**Default Rate**”) until the earlier of (i) the date on which, upon due presentation of the relevant Instrument (if required), the relevant payment is made or (ii) (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) the seventh day after the date on which notice is given to the Holders in accordance with Condition 14 that the Issue and Paying Agent or the Registrar (as the case may be) has received the funds required to make such payment (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder)

5E Non-Interest Bearing Instruments

If any Redemption Amount (as defined in Condition 6.10) or Instalment Amount in respect of any Instrument which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Final Terms or at such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Issue and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Issue and Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 5B 06 as if the Rate of Interest was the Amortisation Yield, the Outstanding Principal Amount was the principal amount and the Day Count

Fraction was as specified for this purpose in the Final Terms or, if not so specified, 30E/360 (as defined in Condition 5D).

6. Credit Linked Instruments

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

(a) Redemption of Credit Linked Instruments

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

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

(b) Cash Settlement

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

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

(c) Physical Settlement

If Physical Delivery is specified in the applicable Final Terms and Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction, the "Credit Event Determination Date"), the Issuer shall give notice (such notice a "Notice

of Physical Settlement”) to the Holders in accordance with Condition 15 and redeem all but not some only of the Instruments, each nominal amount of Instruments equal to the lowest Specified Denomination being redeemed by the Issuer by Delivery of the Deliverable Obligations comprising the Asset Amount, subject to and in accordance with Conditions 6(g) and (h)

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

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

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

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

(d) *Repudiation/Moratorium Extension*

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

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

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

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

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

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

(e) *Grace Period Extension*

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

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

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

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

(f) *Maturity Date Extension*

If:

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

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

where:

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

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

(g) *Physical Delivery*

- (i) If any Note is to be redeemed by delivery of the Asset Amount(s), in order to obtain delivery of such Asset Amount(s):
 - (A) if such Note is represented by a Global Note, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Issuer not later than the close of business in each

place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice; and

- (B) if such Note is in definitive form, the relevant Noteholder must deliver this Note to any Paying Agent with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, together with a duly completed Asset Transfer Notice

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

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

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

An Asset Transfer Notice must:

- (1) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out in the applicable Final Terms;
- (2) in the case of Instruments represented by a Global Note, specify the nominal amount of Instruments which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Instruments and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Noteholder's account with such Instruments on or before the Settlement Date;
- (3) include an undertaking to pay all Delivery Expenses and, in the case of Instruments represented by a Global Note, an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;
- (4) specify an account to which any amounts payable pursuant to Condition 6(h) or any other cash amounts specified in the applicable Final Terms as being payable are to be paid; and
- (5) authorise the production of such notice in any applicable administrative or legal proceedings

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

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

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Instruments represented by

a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer, the Guarantor and the relevant Noteholder and, in the case of Instruments in definitive form, by the relevant Paying Agent after consultation with the Issuer or the Guarantor, as applicable, and shall be conclusive and binding on the Issuer, the Guarantor and the relevant Noteholder.

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

If a Noteholder fails to give an Asset Transfer Notice as provided herein on or prior to the Cut-Off Date specified in the applicable Final Terms, the Issuer or the Guarantor, as the case may be, will, subject as provided above, deliver the Deliverable Obligations constituting the Asset Amount in respect of the relevant Instruments as soon as practicable after the receipt of the duly completed Asset Transfer Notice, Provided That if, in respect of a Note, a Noteholder fails to give an Asset Transfer Notice prior to the day falling 180 calendar days after the Cut-Off Date, the obligations of the Issuer and the Guarantor in respect of such Holders shall be discharged and neither the Issuer nor the Guarantor shall have any liability in respect thereof

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

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

- (iii) In relation to each Deliverable Obligation constituting any Asset Amount, the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation as provided below on the Settlement Date Provided That if all or some of the Deliverable Obligations included in the Asset Amount in respect of a Note are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 30th Business Day following the Settlement Date (the "Final Delivery Date"),

Provided Further That if all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date the provisions of Condition 6(h) shall apply

(h) *Partial Cash Settlement*

If all or a portion of the Undeliverable Obligations or Hedge Disruption Obligations comprising the Asset Amount in respect of a Note are not Delivered by the Final Delivery Date, the Issuer shall give notice (a "Cash Settlement Notice") to the Holders

in accordance with Condition 13 and the Issuer shall pay in respect of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, the Cash Settlement Amount on the Cash Settlement Date

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

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

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

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

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

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

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

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

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

“Quotation Method” is deemed to be Bid.

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

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

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

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

(i) *Redemption following a Merger Event*

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

(j) *Definitions applicable to Credit Linked Notes*

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

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

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

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

- (i) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance (including accrued but unpaid interest (as

determined by the Calculation Agent) if "Include Accrued Interest" is specified as applying in the applicable Final Terms, but excluding accrued but unpaid interest if "Exclude Accrued Interest" is specified as applying in the applicable Final Terms, and if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified as applying in the applicable Final Terms, excluding accrued but unpaid interest); or

- (ii) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

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

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

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

"Bankruptcy" means a Reference Entity:

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

- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

“Best Available Information” means:

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

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

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

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

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

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

“Convertible Obligation” means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or

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

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

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

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

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

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

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

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

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

where:

“A” is the lowest Specified Denomination;

“B” is the Final Price; and

“C” is Unwind Costs,

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

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

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

“Currency Rate” means:

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

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

“Deliver” means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Asset Amount(s) to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of “Credit Event” above or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor) provided that if all or a portion of an Asset Amount consists of Direct Loan Participations, “Deliver” means to create (or procure the creation) of a participation in favour of the relevant Noteholder and to the extent that the Deliverable

Obligations consist of Qualifying Guarantees, "Deliver" means to Deliver both the Qualifying Guarantee and the Underlying Obligation. "Delivery" and "Delivered" will be construed accordingly in the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time

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

- (a) any obligation of a Reference Entity (either directly, as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "(A) Method for Determining Deliverable Obligations" below (but excluding any Excluded Deliverable Obligation specified in the applicable Final Terms) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defense (other than a counterclaim or defense based on the factors set forth in paragraphs (a) to (d) of the definition of "Credit Event" above) or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;
 - (b) subject to the second paragraph of the definition of "Not Contingent" in "(A) Method for Determining Deliverable Obligations" below, each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Deliverable Obligation;
 - (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defense (other than a counterclaim or defense based on the factors set forth in paragraphs (a)-(d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
 - (d) any Additional Deliverable Obligation of a Reference Entity specified as such in the applicable Final Terms.
- (A) Method for Determining Deliverable Obligations. For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to (B)(3) below, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, in each case, as of the Delivery Date. The following terms shall have the following meanings:
- (1) "Deliverable Obligation Category" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan,

or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligations, the definition of "Reference Obligations Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only)

- (2) "Deliverable Obligation Characteristics" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Not Contingent, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer where:

- (i) "Not Contingent" means any obligation having as of the Delivery Date and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall constitute Deliverable Obligations that are Not Contingent if such Deliverable Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

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

- (ii) "Assignable Loan" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (iii) "Consent Required Loan" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if

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

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

Luxembourg or any other internationally recognised clearing system

(B) Interpretation of Provisions

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

Law. For these purposes, unless otherwise specified in the applicable Final Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law

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

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

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

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

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

currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

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

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

“Eligible Transferee” means each of the following:

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

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

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

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

“Equity Securities” means:

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

“Exchangeable Obligation” means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or

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

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

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

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

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

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

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

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

“Grace Period” means:

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

- (c) if, at the later of the Trade Date and the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled Termination Date.

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

“Grace Period Extension Date” means, if:

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

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

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

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

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

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

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the

weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day

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

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

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

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

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

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

“Obligation” means:

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

- (b) each Reference Obligation specified in the applicable Final Terms, unless specified as an Excluded Obligation; and
- (c) any Additional Obligation of a Reference Entity specified as such in the applicable Final Terms

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

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

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

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

“Obligation Currency” means the currency or currencies in which the Obligation is denominated

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

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

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

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

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

“Permitted Currency” means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership), or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development and has a local currency long term debt rating of either AAA or higher assigned to it by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc or any successor to the rating business thereof, Aaa or higher assigned to it by Moody’s Investors Service, Inc or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof

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

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

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

“Publicly Available Information” means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
 - (i) has been published in or not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain

such information provided that, if either the Calculation Agent or the Issuer, the Guarantor or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer, the Guarantor or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation;

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

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

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

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

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

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

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

“Quotation Amount” means the amount specified as such in the applicable Final Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the applicable Final Terms, the

Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

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

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

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

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

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

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

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

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

“Repudiation/Moratorium” means the occurrence of both of the following events:

- (i) an authorised officer of a Reference Entity or a Governmental Authority:
 - (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or
 - (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and

- (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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

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

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

“Restructuring” means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of the Obligation to bind all the holders of such Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

such Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each such Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.

- (d) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation

(e) If:

- (i) more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of such Reference Obligations; or
- (ii) only one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation,

then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date (if any) and (C) the Repudiation/Moratorium Evaluation Date (if any) If (i) either Cash Settlement is specified in the applicable Final Terms and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or Physical Delivery is specified in the applicable Final Terms and the Reference Obligation is the only Deliverable Obligation and (ii) on or prior to the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date, a Substitute Reference Obligation has not been identified, the obligations of the Issuer under the Holders shall cease as of the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date.

- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

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

"Successor" means:

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

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

In the case of (a) above, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Noteholder(s) at the specified office of the Agent and, for so long as the Holders are listed on the Luxembourg Stock Exchange, at the office of the Paying Agent in Luxembourg

Where pursuant to paragraph (a)(iii) or (a)(iv) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Terms and Conditions and/or the applicable Final Terms as it in its sole and absolute discretion acting in a

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

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

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

Where:

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

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

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

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

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

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

"Valuation Date" means (a) where Physical Delivery is specified as applying in the applicable Final Terms the day falling three Business Days after the Final Delivery Date,

or (b) where Cash Settlement is specified as applying in the applicable Final Terms, if “Single Valuation Date” is specified in the applicable Final Terms, the date that is the number of Business Days specified in the Final Terms after the Credit Event Determination Date or, if the number of Business Days is not so specified, five Business Days after the Credit Event Determination Date, and if “Multiple Valuation Dates” is specified in the applicable Final Terms, each of the following dates:

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

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

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

“Valuation Method”:

- (a) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and only one Valuation Date:

- (i) “Market” means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
- (ii) “Highest” means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

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

- (b) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and more than one Valuation Date:

- (i) “Average Market” means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
- (ii) “Highest” means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
- (iii) “Average Highest” means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date

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

- (c) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and only one Valuation Date:

- (i) “Blended Market” means the unweighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date; or

- (ii) “Blended Highest” means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date

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

- (d) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and more than one Valuation Date:

- (i) “Average Blended Market” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or
- (ii) “Average Blended Highest” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

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

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

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

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

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

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

- (a) the Calculation Agent may deliver a Credit Event Notice in respect of an amount (the “Partial Redemption Amount”) that is less than the principal amount outstanding of each Note immediately prior to the delivery of such Credit Event Notice. In such circumstances the provisions of Condition 6 shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (i) the principal amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the principal amount outstanding of such Note as provided in Condition 3 (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate), (ii) the provisions of Condition 6 shall apply to such principal amount outstanding of such Note in the event that subsequent Credit Event Notices are

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

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

(l) *Provisions relating to Multiple Holder Obligation*

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

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

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

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

- (a) Obligation and Deliverable Obligation. Paragraph (a) of the definition of "Obligation" in Condition 6(j) and paragraph (a) of the definition of "Deliverable Obligation" in Condition 6(j) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee"
- (b) Interpretation of Provisions. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, paragraph (B) of the definition of "Deliverable Obligation" in Condition 6(j) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured 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 this Condition 6 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 Final Terms;

- (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
 - (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "Outstanding Principal Balance" shall mean the outstanding Certificate Balance and "maturity", as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- (c) **Not Contingent** An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 6(m) is applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies
- (d) **Deliver.** For the purposes of the definition of "Deliver" in Condition 6(j), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured 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.** The paragraph commencing "For the purposes of this definition of "Successor" in the definition of "Successor" in Condition 6(j) is hereby amended by adding "or insurer" after "or guarantor".
- (f) **Substitute Reference Obligation.** The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in Condition 6(j) is hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee". For purposes of sub-paragraph (a)(ii)(B) the definition of "Substitute Reference Obligation" references to "the Qualifying Guarantee" and the "Underlying Obligation" shall be deemed to include "the Qualifying Policy" and "the Insured Instrument", respectively
- (g) **Other Provisions** For purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" and the definitions of "Credit Event" and "Deliver" in Condition 6(j) references to "the Underlying Obligation" and "the Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively
- (h) **Additional Definition.**
- "Qualifying Policy" means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 6(m)) (the "Insured Instrument") for which another party (including a special purpose entity or trust) is the obligor (the "Insured Obligor"). Qualifying Policies shall exclude any arrangement

(i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of instrument Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Instrument.

“Instrument Payments” means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 6(n)(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.

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

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

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

“Downstream Affiliate” means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50% owned, directly or indirectly, by the Reference Entity”;

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

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

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

“Qualifying Guarantee” means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all

amounts due under an obligation (the "Underlying Obligation") for which another party is the obligor (the "Underlying Obligor") Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation"; and

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

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

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

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

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 6 shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Holders. In performing its duties pursuant to the Holders, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Holders, including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and 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 relation to the delivery by the Calculation Agent to the Issuer or the Guarantor, as applicable, of any notice pursuant to this Condition 6, a notice delivered on or prior to 4:00 pm (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day or on a day which is not a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

Redemption at Maturity

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

Early Redemption for Taxation Reasons

7.02 If, in relation to any Series of Instruments, (i) as a result of any change in the laws or regulations of Spain or in either case of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Instruments or any earlier date specified in the relevant Final Terms, the relevant Issuer (or, if either the Senior Guarantee or the Subordinated Guarantee was called, the Guarantor) would be required to pay additional amounts as provided in Condition 9 and (ii) such circumstances are evidenced by the delivery by the relevant Issuer or (as the case may be) the Guarantor to the Issue and Paying Agent of a certificate signed by two directors of the relevant Issuer or (as the case may be) the Guarantor stating that the said circumstances prevail and describing the facts leading thereto, an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail and, in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), a copy of the Banco de España consent to the redemption, the relevant Issuer may, at its option and having given no less than thirty nor more than sixty days’ notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 15 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments (in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*) in accordance with the requirements of Banco de España) comprising the relevant Series at their early tax redemption amount (the “**Early Redemption Amount (Tax)**”) (which shall be their principal amount or at such other Early Redemption Amount (Tax) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon *provided, however*, that (i) no such notice of redemption may be given earlier than 90 days (or, in the case of Instruments which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Instruments plus 60 days) prior to the earliest date on which the relevant Issuer or (as the case may be) the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Instruments then due and (ii) in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), that the Banco de España consents to redemption of the Subordinated Instruments

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

Optional Early Redemption (Call)

7.03 If this Condition 7.03 is specified in the relevant Final Terms as being applicable, then the relevant Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms (and subject, in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), in accordance with the requirements of Banco de España, to the prior consent of Banco de España) redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the “**Early Redemption Amount (Call)**”) (which shall be their principal amount or such other Early Redemption Amount (Call) as may be specified in or determined in accordance

with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon

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

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

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption which shall be a Business Day, which shall be not less than thirty days (or such lesser period as may be specified in the relevant Final Terms) after the date on which such notice is validly given and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Instruments are to be redeemed.

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

Partial Redemption

7.05 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 7.03:

- in the case of Bearer Instruments, the Instruments to be redeemed shall be drawn by lot, with the intervention of the relevant Commissioner and before a Notary Public who will take the minutes, in such European city as the Issue and Paying Agent may specify, or identified in such other manner or in such other place as the Issue and Paying Agent may approve and deem appropriate and fair; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, subject always as aforesaid and provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Instruments may be listed and/or quoted

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.04 to 2.09 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance

To the extent that the Instruments of the relevant Series are represented by a Temporary Global Instrument or a Permanent Global Instrument, the Instruments to be redeemed pursuant to this Condition 7.05 shall be determined in accordance with the operating procedures of the relevant clearing system(s).

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

Optional Early Redemption (Put)

7.06 If this Condition 7.06 is specified in the relevant Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date or the dates specified in the relevant Final Terms at its put early redemption amount (the “**Early Redemption Amount (Put)**”) (which shall be its principal amount or such other Early Redemption Amount (Put) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than sixty days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Instrument (together, in the case of an interest-bearing Definitive Instrument, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

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

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.04 to 2.09 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

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

Purchase of Instruments

7.07 The Issuers and the Guarantor and any of their respective subsidiaries may at any time purchase Instruments (except for Subordinated Instruments which qualify as regulatory capital (*recursos propios*)) in the open market or otherwise and at any price provided that, in the case of interest-bearing Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith.

Cancellation of Redeemed and Purchased Instruments

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

Further Provisions applicable to Redemption Amount and Instalment Amounts

7.09 The provisions of Condition 5D.03 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Determination Agent.

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

7.11 In the case of any Instrument which is non-interest bearing, the “**Amortised Face Amount**” shall be an amount equal to the sum of:

- (i) the issue price specified in the Final Terms; and
- (ii) the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the date of issue specified in the Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5D) specified in the Final Terms for the purposes of this Condition 7.11.

7.12 In the case of any Instrument which is non-interest bearing, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 7.11 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Instrument becomes due and repayable were replaced by references to the earlier of:

- (i) the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made; and
- (ii) (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Issue and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 15 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

Notices

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

Notification of Luxembourg Stock Exchange

7.14 The relevant Issuer shall notify the Luxembourg Stock Exchange of any early redemption (whether full or partial) of Instruments.

8. Events of Default

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

- (i) *Non-payment*: if default is made in the payment of any interest or principal due in respect of the Instruments of the relevant Series or any of them and such default continues for a period of seven days (or such other period as may be specified in the relevant Final Terms); or
- (ii) *Breach of other obligations*: if the relevant Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Instruments of the relevant Series, the relevant Guarantee or the Issue and Paying Agency Agreement and (except in any case where such failure is incapable of remedy when no such continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days next following the service by the relevant Commissioner (as defined in Condition 14 below) on the relevant Issuer of a notice requiring the same to be remedied; or

- (iii) *Cross default*: if any Indebtedness for Borrowed Money (as defined in Condition 8.02) of the relevant Issuer or the Guarantor becomes due and repayable prematurely by reason of an event of default (however described) or the relevant 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 relevant 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 relevant Issuer or the Guarantor in making any payment when due (or within any originally applicable grace period in respect thereof) under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that no such event as aforesaid shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other liability relative thereto either alone or when aggregated with other Indebtedness for Borrowed Money and/or other liabilities relative to all (if any) other such events which shall have occurred shall amount to at least US \$50,000,000 (or its equivalent in any other currency on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (iv) *Winding up*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the relevant Issuer or the Guarantor (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Instruments, provided that any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the relevant Issuer or the Guarantor, as the case may be, at the time of such merger); or
- (v) *Cessation of business*: if the relevant Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Instruments, provided that any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the relevant Issuer or the Guarantor, as the case may be, at the time of such merger), or the relevant Issuer or the Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class thereof) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) *Insolvency proceedings*: if (a) proceedings are initiated against the relevant Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant 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 or any of them and (b) in any case is not discharged within 14 days; or
- (vii) *Arrangements with creditors*: if the relevant Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or

- (viii) *Guarantee*: if any of the Senior Guarantee or the Subordinated Guarantee ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under either the Senior Guarantee or the Subordinated Guarantee or either the Senior Guarantee or the Subordinated Guarantee is claimed by the relevant Issuer or the Guarantor not to be in full force and effect

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

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

9. Taxation

9.01 All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Instruments, the Receipts and the Coupons, the Senior Guarantee and the Subordinated Guarantee by an Issuer or the Guarantor (as the case may be) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the relevant Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Holder of any Instrument or Coupon of such amounts as would have been received by them had no such withholding or deduction been required

9.02 Neither the relevant Issuer nor the Guarantor shall be required to pay any additional amounts as referred to in Condition 9.01 in relation to any payment in respect of any Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder of an Instrument or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with Spain other than the mere holding of such Instrument or Coupon; or
- (ii) to, or to a third party on behalf of, a Holder in respect of whom the relevant Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Holder's identity and tax residence as it may require in order to comply with Law 19/2003 of 4 July and any implementing legislation; or
- (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

- (iv) where the withholding or deduction referred to in Condition 9.01 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a Holder of an Instrument or Coupon who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the European Union; or
- (vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain or a resident in a tax haven (as defined in Royal Decree 1080/1991 of 5 July as amended from time to time); or
- (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax if the Spanish tax authorities determine that the Instruments do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27th July 2004 and require a withholding to be made.

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

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

10. Payments

10A Payments — Bearer Instruments

10A.01 This Condition 10A is applicable in relation to Instruments in bearer form.

10A.02 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents

10A.03 Payment of amounts in respect of interest on Bearer Instruments will be made:

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

of any of the Paying Agents outside (unless Condition 10A 04 applies) the United States.

10A.04 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 10A 04 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the relevant Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

10A.05 If the due date for payment of any amount due in respect of any Bearer Instrument is not both a Relevant Financial Centre Day (as defined in Condition 10C 03) and a local banking day (as defined in Condition 10C 03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the relevant Final Terms) and, thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5D 05

10A.06 Each Definitive Instrument initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

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

The provisions of paragraph (i) of this Condition 10A.06 notwithstanding, if any Definitive Instruments which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates

10A.07 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 10A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures

10A.08 For the purposes of these Terms and Conditions, the “United States” means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

10B. Payments — Registered Instruments

10B.01 This Condition 10B is applicable in relation to Instruments in registered form

10B.02 Payment of amounts (whether principal, redemption amount or otherwise and including accrued interest) due in respect of Registered Instruments on the final redemption of Registered Instruments will be made against presentation and, save in the case of partial payment of the amount due upon final redemption by reason of insufficiency of funds, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the final redemption amount of any Registered Instrument is not both a Relevant Financial Centre Day (as defined in Condition 10C.03) and a local banking day (as defined in Condition 10C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5D.05

10B.03 Payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of the final redemption of Registered Instruments) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.06) before the due date for such payment (the “Record Date”)

10B.04 Notwithstanding the provisions of Condition 10C.02, payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of final redemption of Registered Instruments) in respect of Registered Instruments will be made by cheque (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorised foreign exchange bank) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency (in the case of payment in Japanese Yen to a non-resident in Japan, a non-resident account with an authorised foreign exchange bank) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5D.05.

10C. Payments — General Provisions

10C.01 Save as otherwise specified herein, this Condition 9C is applicable in relation to Instruments whether in bearer or in registered form.

10C.02 Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due by (a) cheque or (b) at the option of the payee, transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 9, be subject in all cases to any applicable fiscal or other laws and regulations.

10C.03 For the purposes of these Terms and Conditions:

- (i) **“Business Day”** means a day:
 - in relation to Instruments denominated or payable in Euro which is a TARGET Business Day; and
 - in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
 - on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms;
- (ii) **“local banking day”** means a day (other than a Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon;
- (iii) **“Relevant Financial Centre”** means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “Business Day” in the ISDA Definitions;
- (iv) **“Relevant Financial Centre Day”** means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre (which in the case of Australian dollars shall be Melbourne and which in the case of New Zealand dollars shall be Wellington) and in any other place specified in the relevant Final Terms and in the case of payment in Euro, a day which is a TARGET Business Day;
- (v) **“TARGET Business Day”** means a day in which the TARGET System is operating; and
- (vi) **“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System

and, in the case of any of paragraphs (i) to (iv) of this Condition 10C.03, as the same may be modified in the relevant Final Terms

11. Prescription

11.01 Claims against the relevant Issuer for payment of principal and interest in respect of Instruments will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.

11.02 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 10A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 11 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument

12. The Paying Agents, the Registrars and the Determination Agent

12.01 The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Determination Agent in respect of any Instruments shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying

Agent (including the Issue and Paying Agent) or the Registrar or the Determination Agent and to appoint additional or other Paying Agents or another Registrar or another Determination Agent Provided that it will at all times maintain (i) an Issue and Paying Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the an Issue and Paying Agent) with a specified office in a continental European city, (iv) so long as the Instruments are listed on the Luxembourg Stock Exchange and/or any other listing authority, stock exchange and/or quotation system, a Paying Agent (which may be the Issue and Paying Agent) and a Registrar each with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other listing authority, stock exchange and/or quotation system, (v) in the circumstances described in Condition 10A.04, a Paying Agent with a specified office in New York City, (vi) a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive, and (vii) a Determination Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii), (iii) and (vii) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Determination Agent reserve the right at any time to change their respective offices to some other specified office in the same city Notice of all changes in the identities or specified offices of the Paying Agents, the Registrar or the Determination Agent will be given promptly by the Issuer to the Holders of the Instruments in accordance with Condition 15.

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

13. Replacement of Instruments

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

14. Syndicate of Holders of the Instruments and Modification

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

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

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

The relevant Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such

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

For the purposes of these Terms and Conditions,

- (i) “**Commissioner**” means the trustee (*comisario*) as this term is defined under the Spanish Corporations Law (*Ley de Sociedades Anónimas*) of each Syndicate of Holders of the Instruments; and
- (ii) “**Syndicate**” means the syndicate (*sindicato*) as this term is described under the Spanish Corporations law (*Ley de Sociedades Anónimas*).

15. Notices

To Holders of Bearer Instruments

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

To Holders of Registered Instruments

15.02 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth day after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments listed on the Luxembourg Stock Exchange, any notices to Holders must also be published in a daily Luxembourg newspaper having general circulation in Luxembourg (which is expected to be *d’Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

To Commissioners

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

16. Further Issues

The relevant Issuer may, from time to time without the consent of the Holders of any Instruments or Coupons create and issue further instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

17. Currency Indemnity

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

18. Waiver and Remedies

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

19. Law and Jurisdiction

19.01 The issue of the Instruments, including their legal nature (*obligaciones*), the status of the Instruments and the status of the guarantee in respect of them, the capacity of the Issuers, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments shall be governed by Spanish law. The terms and conditions of the Instruments and all matters arising from or connected with the Instruments, the Issue and Paying Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, English law.

19.02 The courts of England have exclusive jurisdiction to settle any disputes, which may arise out of or in connection with the Instruments (respectively, “**Proceedings**” and “**Disputes**”)

19.03 The Issuers and the Guarantor irrevocably waive any objection which they might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

19.04 The Issuers and the Guarantor agree that the process by which any proceedings in England are begun may be served on them by being delivered to Banco Santander Central Hispano, S.A., London Branch at Santander House, 100 Ludgate Hill, London EC4M 7NJ or such other person on whom, and at such other place at which, process may from time to time be served on the Guarantor in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If the appointment of the person mentioned in this Condition 19.04 ceases to be effective, the Issuers and the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Issuers and the Guarantor and delivered to the Issuers and the

Guarantor or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law.

19.05 The submission to the exclusive jurisdiction of the courts of England is for the benefit of the Holders of the Instruments only and therefore shall not (and shall not be construed so as to) limit the right of the Holders of the Instruments or any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law

20. Rights of Third Parties

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