

BASE PROSPECTUS (*FOLLETO DE BASE*)



BBVA Senior Finance, S.A. Unipersonal

(Incorporated with limited liability in Spain)

€2,000,000,000 Structured Medium Term Note Programme **(Programa de Emisión de Renta Fija y Notas Estructuradas)**

unconditionally and irrevocably guaranteed by

Banco Bilbao Vizcaya Argentaria, S.A.

(Incorporated with limited liability in Spain)

Under this €2,000,000,000 Structured Medium Term Note Programme (the **Programme**) described in this Base Prospectus (which replaces the Base Prospectus dated June 2, 2009 in respect of the Programme), BBVA Senior Finance, S.A. Unipersonal (**BSF** or the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed with the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA** or the **Guarantor**). Notes may be issued in bearer, registered or in dematerialised book-entry form (respectively **Bearer Notes**, **Registered Notes** and **Book-Entry Notes**). Notes of any kind may be issued, including, but not limited to, Notes whose return is linked to one or more indices (**Index Linked Notes**), one or more shares of any company(ies) (**Equity Linked Notes**), one or more inflation indices (**Inflation Linked Notes**), one or more commodities or commodity indices (**Commodity Linked Notes**), one or more fund shares or units (**Fund Linked Notes**), the credit of a specified reference entity or reference entities (**Credit Linked Notes**), one or more custom indices (**Custom Index Linked Notes**), one or more foreign exchange rates (**Foreign Exchange (FX) Rate Linked Notes**) or one or more other underlying reference asset(s) or any combination thereof as more fully described herein (such Notes, together with Index Linked Notes, Equity Linked Notes, Inflation Linked Notes, Commodity Linked Notes, Fund Linked Notes, Credit Linked Notes, Custom Index Linked Notes, Foreign Exchange (FX) Rate Linked Notes being referred to as **Reference Item Linked Notes**). Notes may also bear interest, including interest which is linked to one or more underlying reference assets. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €2,000,000,000 (or its equivalent in other currencies). The Notes may be issued on a continuing basis to one or more Dealers appointed from time to time by the Issuer. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealers, be to all Dealers agreeing to subscribe for such Notes as designated in each specific issue of Notes.

Potential investors should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in light of their own circumstances and financial condition. Notes may involve a high degree of risk and potential investors should be prepared to sustain a total loss of the purchase price of their Notes. For a discussion of these risks see the “Risk Factors” section on pages 25 to 67 below.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See “Form of the Notes” for a description of the manner and form in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see “Subscription and Sale and Transfer and Selling Restrictions”.

Potential investors should note the statements on pages 358 to 368 (inclusive) regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 19/2003 of July 4, 2003.

The Issuer and the Guarantor may agree with the relevant Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to this Base Prospectus or a new Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) and has been prepared in accordance with Annexes IV, V, VI and XII of Regulation (EC) No 809/2004.

Arranger
Banco Bilbao Vizcaya Argentaria, S.A.

Dealer
Banco Bilbao Vizcaya Argentaria, S.A.

The date of this Base Prospectus is February 15, 2011.

This base prospectus (the **Base Prospectus**) has been approved by the *Comisión Nacional del Mercado de Valores* (the **CNMV**), in its capacity as competent authority under Law 24/1988 on the Securities Market Act (*Ley del Mercado de Valores*) (the **CNMV**) and relevant implementing measures in Spain, as a base prospectus. References in this Base Prospectus to Notes being listed (and all related references) shall mean that such Notes have been listed and admitted to trading on the AIAF Fixed Income Securities Market (**AIAF**). AIAF is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms supplement (the **Final Terms** or **Condiciones Finales**) which, with respect to Notes to be listed, will be delivered to the relevant authority on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. Notes may not be issued under the Programme on an unlisted basis.

The applicable Final Terms will (if applicable) contain information relating to any underlying equity security, index, commodity, fund, reference entity, foreign exchange rate, custom index, inflation index or other item(s) (each a **Reference Item**) to which the relevant Notes relate and which is contained in such Final Terms. However, unless otherwise expressly stated in a Final Terms, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item. Each of the Issuer and the Guarantor will, unless otherwise expressly stated in the applicable Final Terms, confirm that such extracts or summaries have been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the issuer, owner or sponsor, as the case may be, of such Reference Item, no facts have been omitted that would render the reproduced extracts or summaries inaccurate or misleading.

The Issuer and the Guarantor (the **Responsible Persons**) accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Responsible Persons (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with the relevant Final Terms and all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”) and any amendments or supplements hereto.

The Dealers (other than BBVA in its capacity as the Guarantor) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers (other than BBVA as aforesaid) as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No Dealer (other than BBVA in its capacity as the Guarantor) accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the Dealer(s) or the Managers, as the case may be.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer, the Guarantor or the relevant Dealer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or the relevant Dealer to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes. The relevant Dealer expressly does not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the relevant Dealer do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the relevant Dealer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy, France and Spain) and Japan; see “*Subscription and Sale and Transfer and Selling Restrictions*”.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Issuer, the Guarantor nor the relevant Dealer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

All references in this document to “*U.S. dollars*”, “*U.S.\$*” and “*\$*” refer to United States dollars. In addition, all references to “*Sterling*” and “*£*” refer to pounds sterling and to “*euro*” and “*€*” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Base Prospectus. Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the relevant Final Terms and documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Description: Structured Medium Term Note Programme

Parties:

Issuer: The Issuer under the Programme is BBVA Senior Finance, S.A. Unipersonal (**BSF** or the **Issuer**), which issues Senior Notes only. BSF was incorporated on October 29, 2004 for an unlimited duration with limited liability under Spanish law. BSF was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on November 3, 2004. The exclusive objects for which BSF was established are, pursuant to Article 2 of its Bylaws, “the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets”. BSF has an authorised and issued share capital of EUR 60,102 divided into 10,017 ordinary shares of par value EUR 6.00 each. BSF is a direct wholly-owned subsidiary of BBVA and does not have any subsidiaries of its own.

Guarantor: The Notes are guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (“**BBVA**” and together with its consolidated subsidiaries, the “**Group**”) (**BBVA** or the **Guarantor**).

Description of Guarantor BBVA is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. It also has a portfolio of investments in some of Spain’s leading companies.

In 2010, the Guarantor focused its operations on six major business areas, which are further broken down into business units, as described below:

- Spain and Portugal
- Mexico
- South America

- The United States
- Wholesale Banking and Asset Management
- Corporate Activities

Summary Financial
Information of Guarantor:

As at December 31, 2010 BBVA's consolidated total assets were €552,738 million and its consolidated net income attributable to the Guarantor for the year then ended was €606 million. Selected consolidated financial information relating to BBVA Group is included under "*Summary Financial Information*".

The key audited financial data for the BBVA Group for the last three accounting periods (2010, 2009 and 2008) are as follows:

	31-12-10	□%	31-12-09	31-12-08
BALANCE SHEET (million euros)				
Total assets	552.738	3,3	535.065	542.650
Total lending (gross)	348.253	4,8	332.162	342.682
Customer funds on balance sheet	378.388	1,7	371.999	376.380
Other customer funds	147.572	7,6	137.105	119.034
Total customer funds	525.960	3,3	509.104	495.414
Total equity	37.475	21,8	30.763	26.705
Stockholders' funds	36.689	25,0	29.362	26.586
INCOME STATEMENT (million euros)				
Net interest income	13.320	(4,0)	13.882	11.686
Gross income	20.910	1,2	20.666	18.978
Operating income	11.942	(3,0)	12.308	10.523
Income before tax	6.422	12,0	5.736	6.926
Net attributable profit	4.606	9,4	4.210	5.020
Net attributable profit excluding one-offs ⁽¹⁾	4.606	(12,4)	5.260	5.414
DATA PER SHARE AND SHARE PERFORMANCE RATIOS				
Share price (euros)	7,56	(40,6)	12,73	8,66
Market capitalization (million euros)	33.951	(28,8)	47.712	32.457
Net attributable profit per share (euros) ⁽²⁾	1,17	8,3	1,08	1,31
Net attributable profit per share excluding one-offs (euros) ⁽¹⁻²⁾	1,17	(13,3)	1,35	1,41
Book value per share (euros)	8,17	4,3	7,83	7,09
Tangible book value per share (euros) ⁽³⁾	6,27	6,3	5,90	4,99
P/BV (Price/book value; times)	0,9		1,6	1,2
Price/tangible book value (times) ⁽³⁾	1,2		2,2	1,7
PER (Price/Earnings; times)	7,4		11,3	6,5
SIGNIFICANT RATIOS (%)				
ROE (Net attributable profit/Average equity)	15,8		16,0	21,5
ROE excluding one-offs ⁽¹⁾	15,8		20,0	23,2
ROA (Net income/Average total assets)	0,89		0,85	1,04
ROA excluding one-offs ⁽¹⁾	0,89		1,04	1,12
RORWA (Net income/Average risk-weighted assets)	1,64		1,56	1,94
RORWA excluding one-offs ⁽¹⁾	1,64		1,92	2,08
Efficiency ratio	42,9		40,4	44,6
Risk premium excluding one-offs ⁽¹⁾	1,27		1,15	0,82
NPA ratio	4,1		4,3	2,3
NPA coverage ratio	62		57	92
CAPITAL ADEQUACY RATIOS (%)				
BIS Ratio	13,7		13,6	12,2
Core capital	9,6		8,0	6,2
Tier I	10,5		9,4	7,9
OTHER INFORMATION				
Number of shares (millions)	4.491		3.748	3.748
Number of shareholders	952.618		884.373	903.897
Number of employees	106.976		103.721	108.972
Number of branches	7.361		7.466	7.787
Number of ATMs	16.995		15.716	14.888

General note: These quarterly statements have not been audited. The consolidated accounts of the BBVA Group have been drawn up according to the International Financial Reporting Standards (IFRS) adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein.

(1) In the third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit, and in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.

In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

(2) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

(3) Net of goodwill.

Arranger: Banco Bilbao Vizcaya Argentaria, S.A.

Dealers: Banco Bilbao Vizcaya Argentaria, S.A. and any other Dealers

appointed by the Issuer from time to time.

Principal Paying Agent: Banco Bilbao Vizcaya Argentaria, S.A.

Spanish Paying Agent: Banco Bilbao Vizcaya Argentaria, S.A.

Calculation Agent: Banco Bilbao Vizcaya Argentaria, S.A.

Transfer Agent: Banco Bilbao Vizcaya Argentaria, S.A.

Registrar: Banco Bilbao Vizcaya Argentaria, S.A.

Notes:

Issue Price: Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of the Notes: The Notes may be issued in bearer or registered form. The Issuer may issue Bearer Notes in New Global Note (NGN) form and Registered Notes may be held under the new safekeeping structure (NSS), as described in “*Form of the Notes*”. Registered Notes will not be exchangeable for Bearer Notes and vice versa. The Notes may also be issued in uncertificated, dematerialised book-entry form as described in “*Form of the Notes*”.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale and Transfer and Selling Restrictions*”) and including the following restrictions applicable at the date of this Base Prospectus:

Notes may not (a) have a minimum denomination (face value amount) of less than €1,000 (or its equivalent in other currencies) or (b) carry the right to acquire new shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default or certain events in the case of Reference Item Linked Notes) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to

restrictions on their denomination and distribution; see “*Notes with a maturity of less than one year*” above.

Events of Default and Cross Default: The terms of the Notes contain events of default covering, amongst others, non-payment of principal and/or interest amounts due and relating to the insolvency of the Issuer and the Guarantor. The terms of the Notes will contain a cross default provision as further described in General Condition 9.

Negative Pledge: The terms of the Notes will not contain a negative pledge provision.

Taxation: Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain as provided in General Condition 7. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in General Condition 7, be required to pay additional amounts to cover the amounts so deducted.

Types of Notes:

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Reference Item Linked
Notes:**

Index Linked Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to one or more equity indices as set out in the applicable Final Terms.

Index Linked Notes may be subject to early redemption or adjustment if an Index is modified or cancelled and there is no successor index acceptable to the Calculation Agent, if the Index's sponsor fails to calculate and announce the Index, or if certain events (such as illegality, disruptions or cost increases) occur with respect to the Issuer or any of its affiliates' hedging arrangements.

If certain disruption events occur with respect to valuation of an Index such valuation will be postponed and may be made by the Calculation Agent. Payments may also be postponed.

Equity Linked Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Equity Linked Notes will be calculated by reference to one or more shares set out in the applicable Final Terms.

Equity Linked Notes may be subject to early redemption or adjustment (including as to valuation and in certain circumstances substitutions) if certain corporate events (such as events affecting the value of an underlying share (including divisions or consolidations, extraordinary dividends and capital calls); de-listing of an underlying share; insolvency, merger or nationalisation of an underlying share issuer; or a tender offer or redenomination of an underlying share) occur, if certain events (such as illegality, disruptions or cost increases) occur with respect to the Issuer's or any of its affiliates' hedging arrangements, or if insolvency filings are made with respect to an issuer of an underlying share.

Inflation Linked Notes:

Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Inflation Linked Notes will be calculated by reference to one or more inflation Indices as set out in the applicable Final Terms.

Inflation Linked Notes may be subject to early redemption or adjustment (including as to valuation and in certain circumstances substitution) if certain events (such as events affecting the level of an Inflation Index) occur.

Commodity Linked Notes:

Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Commodity Linked Notes will be calculated by reference to one or more commodities and/or commodity indices as set out in the applicable Final Terms.

Commodity Linked Notes may be subject to adjustment (including as to valuations) if certain events occur with respect to a Commodity or Commodity Index (such as a trading disruption, the disappearance of, or disruption in publication of, a reference price; and in certain circumstances a change in the formula for calculating a reference price; or a change in the content of a Commodity or Commodity Index) or an index component disruption event.

Fund Linked Notes:

Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Fund Linked Notes will be calculated by reference to units, interests or shares in a single fund or basket of funds on such terms as specified in the applicable Final Terms.

Fund Linked Notes may be subject to early redemption or adjustment (including as to valuation and fund substitutions) if certain corporate events (such as insolvency (or analogous event) occurring with respect to a fund; litigation against, or regulatory events occurring with respect to a fund; suspensions of fund subscriptions or redemptions; certain changes in net asset value of a fund; or modifications to the investment objectives or changes in the nature or administration of a fund) occur, if certain valuation or settlement disruption events occur with respect to a fund, or if certain events (such as illegality, disruptions or cost increases) occur with respect to the Issuer's or any of its affiliates' hedging arrangements.

Fund Linked Notes linked to Exchange Traded Funds or ETFs may in addition be subject to early redemption or adjustment (including as to valuation and in certain circumstances fund share substitution) if certain corporate events (such as events affecting the value of a fund share (including fund share divisions or consolidation); de-listing of a fund share; insolvency, (merger or nationalisation of a fund share issuer; or a tender offer or redenomination of a fund share) occur.

Credit Linked Notes:

Subject to alternative procedure applicable in relation to Auction Settlement (as set out below), amounts payable in respect of Credit Linked Notes will be calculated by reference to the credit of a specified entity or entities.

If Conditions to Settlement are satisfied, the Credit Linked Notes will be redeemed and the Issuer will pay the Credit Event Redemption Amount.

Where Auction Settlement is specified as the applicable Settlement Method for a Series of Credit Linked Notes in the relevant Final Terms and an Auction Final Price Determination Date occurs, the Auction Final Price will be determined according to an auction procedure set out in the applicable rules published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and may be amended from time to time.

If Conditions to Settlement – Auction Settlement is specified as applicable in the applicable Final Terms and a Credit Event Determination Date occurs, the Notes may be redeemed and the Issuer will pay the Credit Event Redemption Amount.

Custom Index Linked Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Custom Index Linked Notes will be calculated by reference to one or more Custom Indices as set out in the applicable Final Terms. Custom Index Linked Notes may be linked to an index established, calculated and/or sponsored by BBVA and/or its affiliates.

Custom Index Linked Notes may be subject to early redemption or adjustment if a Custom Index is modified or cancelled and there is no successor custom index acceptable to the Calculation Agent, if the Custom Index's sponsor fails to calculate and announce the Custom Index, or certain events (such as illegality, disruptions or cost increases) occur with respect to the Issuer's or any of its affiliates' hedging arrangements.

If certain disruption events occur with respect to valuation of a Custom Index such valuation will be postponed and may be made by the Calculation Agent. Payments may also be postponed.

Foreign Exchange (FX) Rate Linked Notes: Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Foreign Exchange (FX) Rate Linked Notes will be calculated by reference to one or more foreign exchange rates as agreed between the Issuer and the relevant Dealer and set out in the applicable Final Terms.

Foreign Exchange (FX) Rate Linked Notes may be subject to early redemption or adjustment if a relevant rate is modified or disrupted or if certain specified events (such as inconvertibility or nationalisation) occur or if events occur with respect to the Issuer or any of its affiliates' hedging arrangements.

Other Reference Item Linked Notes: The Issuer and the relevant Dealer may agree to issue Reference Item Linked Notes whose return is linked to one or more other underlying reference items or any combination thereof. The terms and conditions of such Reference Item Linked Notes will be based on the conditions of the Notes set out under "*Terms and Conditions of the Notes*", including the Annexes thereto and the applicable Final Terms.

Additional Features: Notes issued under the Programme may have set out in the applicable Final Terms additional or other features relating to, for example but without limitation, factors affecting the accrual of interest amounts, the timing of interest payments and/or redemption amounts, early termination provisions, autocall provisions, mandatory redemption and knock-in or knock-out events. In addition, further underlying reference bases may be applicable.

General:

Status of the Notes: The Notes will constitute direct, unconditional and unsecured obligations of the Issuer and will rank pari passu among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, and will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee, both as more fully described in General Condition 3.

Status of the Guarantee: The payment of principal and interest in respect of the Notes (and any relative Coupons and Receipts) and the payment of all amounts due in respect of the Notes (and any relative Coupons and Receipts) has been unconditionally and irrevocably guaranteed (*solidariamente*) by the Guarantor pursuant to the Guarantee.

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank and will rank pari passu with all other unsecured and unsubordinated obligations of the Guarantor.

*In the event of insolvency (concurso) of the Guarantor, under Law 22/2003 of July 9, 2003 as amended from time to time (the **Insolvency Law**), claims from Senior Noteholders will fall within the category of ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits will rank below credits against the insolvency state (*créditos contra la masa*) and privileged credits (*créditos privilegiados*) which shall be paid in full before ordinary credits. The claims of all creditors considered as ordinary credits against the Guarantor will be satisfied pro rata in insolvency. Ordinary creditors will rank above subordinated creditors.*

Listing and Admission to Trading: The Notes may be listed and admitted to trading, as the case may be, on AIAF and/or on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. Notes may not be issued under the Programme on an unlisted basis.

The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.

Governing Law: The issue of the Book-Entry Notes (as defined below), including their legal nature (*obligaciones*), the status of the Book-Entry Notes and the status of the Guarantee in respect of them (General Condition 3), the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner (General Condition 14) and the constitution of the Syndicate of Holders of the Book-Entry Notes will be governed by Spanish law. Subject as provided above, the terms and conditions of the Book-Entry Notes, all related contractual documentation and any non-contractual obligations arising out of or in connection with the Book-Entry Notes and all related contractual documentation will be governed by, and shall be construed in accordance with,

English law.

The issue of the Certificated Notes (as defined below), including their legal nature (*obligaciones*), the status of the Certificated Notes and the status of the Guarantee in respect of them (General Condition 3), the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner (General Condition 14) and the constitution of the Syndicate of Holders of the Certificated Notes will be governed by Spanish law. Subject as provided above, the terms and conditions of the Certificated Notes, all related contractual documentation and any non-contractual obligations arising out of or in connection with the Certificated Notes and all related contractual documentation will be governed by, and shall be construed in accordance with, English law.

Rating:

Any rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Selling Restrictions:

There are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy, France and Spain) and Japan; see “*Subscription and Sale and Transfer and Selling Restrictions*”. The applicable Final Terms may also specify additional selling restrictions in connection with the offering and sale of a particular Tranche of Notes.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer subject to all relevant restrictions.

Risk Factors:

The Issuer is a finance vehicle established to issue Notes and to on-lend the proceeds to the Guarantor, which will be used for the Group's general corporate purposes. The Issuer's ability to fulfil its obligations under Notes issued by it under the Programme is therefore dependent upon the Guarantor and other Group companies performing their obligations under the on-loans made to them. The Issuer is further indirectly affected by the other risks faced by the Guarantor and other Group companies, which are described in detail in the "Risk Factors" section of this Base Prospectus.

There are a number of factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. These are set out under "Risk Factors" below and include the Issuer's exposure to adverse changes in the Spanish economy and real estate market and risks relating to the lack of availability of funding, volatility in interest rates and increased competition. There are also risks faced by the Guarantor in its Southern and North American businesses.

In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme which are described in detail under the "Risk Factors" section below. These include the fact that the Notes may not be a suitable investment for all investors. In the case of Reference Item Linked Notes, risks include structural risks relating to particular Notes, risks relating to unsecured obligations, market disruption, expenses and taxation, no claim against the Reference Item, modification, meetings, hedgings and potential conflicts of interest, illegality and cancellation, partly-paid Notes, optional redemption, minimum denomination possible illiquidity of Notes, exchange rate risks, exchange listing and legal regulation risk.

The "Risk Factors" section of this Base Prospectus is separated into the following primary sub-sections:

1. Risk factors relating to the Issuer.

The risk factor described under this sub-section is the following:

- *Dependence on other Group members*

2. Risk factors relating to the Guarantor and the Guarantee.

The risk factors described under this sub-section are the following:

- *Since the Guarantor's loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on its financial condition.*
- *Adverse changes affecting the Spanish economy could undermine the Guarantor's financial solvency.*
- *BBVA Group loan portfolio in Spain has been affected*

negatively by the contraction of the Spanish economy in 2009 and 2008.

- *Some of the BBVA Group's businesses are cyclical and, therefore, income may decline when demand for certain products or services is in a down cycle.*
- *Risks relating to the creditworthiness of borrowers and to general economic conditions are inherent in the Guarantor's business.*
- *A substantial percentage of the Guarantor's customer base is particularly sensitive to adverse developments in the economy, which renders its lending activities relatively riskier than if it lent primarily to higher income customer segments.*
- *Increased exposure to real estate in Spain makes the Guarantor more vulnerable to developments in this market.*
- *Highly-indebted households and corporations could endanger the Guarantor's asset quality and future revenues.*
- *Current economic conditions may make it more difficult for the Guarantor to continue funding its business on favourable terms or at all.*
- *The Guarantor could obtain lower brokerage fees and commissions and income from other fee- and commission-based businesses.*
- *The Guarantor faces increasing competition in its business lines.*
- *The Guarantor's business is particularly vulnerable to volatility in interest rates.*
- *Market risks related to fluctuations in bond and equity prices and other market factors are inherent in the Guarantor's business. A prolonged market decline could reduce market liquidity, making it difficult to sell assets and leading to material losses.*
- *Despite its risk management policies, procedures and methods, the Guarantor could be exposed to unidentified or unforeseen risks.*
- *The Guarantor has invested in financial institutions in recent years, enabling it to penetrate new markets.*
- *Increased competition in the countries where the Guarantor operates may have an adverse impact on its growth prospects and operations.*

- *The Guarantor has a substantial amount of commitments with personnel considered wholly unfunded due to the absence of qualifying plan assets.*
- *Interest rate volatility may have an adverse effect on the Guarantor's net interest income and cause an increase in its non-performing loans.*
- *Fluctuations in foreign exchange rates may have an adverse impact on the Guarantor's earnings and the value of its assets.*
- *Changes in the regulatory framework in the jurisdictions where the Guarantor operates could have an adverse impact on its business.*
- *Operational risks are inherent in the Guarantor's business*
- *Credit, market and liquidity risks may have an adverse effect on the Guarantor's credit ratings and its cost of funds.*
- *Mexico is an important market for the BBVA Guarantor and, as a result, a worsening of the country's economic and political situation could have a negative impact on BBVA Group operations.*
- *Risks Factors Relating to Latin America*
- *Events in Mexico could adversely affect the Guarantor's operations.*
- *The Guarantor's Latin American subsidiaries' growth, asset quality and profitability may be affected by volatile macroeconomic conditions, including government default on public debt, in the Latin American countries in which they operate.*
- *The ability to grow and increase market share in some Latin American countries where the BBVA Group operates could be limited by strong competition.*
- *Latin American economies can be directly and negatively affected by adverse developments in other countries.*
- *The Guarantor is exposed to foreign exchange and, in some instances, political risks as well as other risks in the Latin American countries in which it operates, which could cause an adverse impact on its business, financial condition and results of operations.*
- *Regulatory changes in Latin America that are beyond the Guarantor's control may have a material effect on its*

business, financial condition and results of operations.

- *Risks Factors Relating to Other Countries*
- *The Guarantor's strategic growth in Asia exposes it to increased regulatory, economic and geopolitical risk relating to emerging markets in the region, particularly in China.*
- *The Guarantor's continued expansion in the United States increases its exposure to the U.S. market.*
- *EU sovereign risk*
- *BBVA could be subject to stricter capital requirements and further restrictions on its operations and businesses*
- *Governmental responses to recent market disruptions may be inadequate and may have unintended consequences.*
- *The acquisition of Garanti could result in unforeseen losses for BBVA.*
- *As Garanti operates mainly in Turkey, economic and other developments in that country could have a material adverse impact on its business, financial conditions and results of operations and on the value of BBVA's proposed investment in Garanti.*
- *BBVA will be exposed to foreign currency, political and other risks related to Turkey, which may have a material adverse impact on Garanti's business, financial conditions and results of operations and on the value of BBVA's proposed investment in Garanti.*
- *BBVA has reached a shareholders agreement with Doğuş BBVA Group regarding the Acquisition*
- *The Acquisition is subject to certain approvals and authorities by various government organisations, which could impose conditions that may have a negative impact on BBVA and the fulfilment of other conditions.*

3. Risk factors relating to Notes generally.

The risk factors described under this sub-section are the following:

- *The Notes may not be a suitable investment for all investors*
- *Spanish Tax Rules*
- *EU Savings Directive*
- *Meetings of Noteholders*

- *Change of law*
- *Eurosystem Eligibility*
- *No claim against any Reference Item*
- *Modification and Waivers*
- *Claims of Holders under the Notes are effectively junior to those of certain other creditors*
- *Legal investment considerations may restrict certain investments*
- *Investors may lose the original invested amount*
- *The Notes may be redeemed prior to their scheduled maturity.*
- *The secondary market generally*
- *Although all Notes will be listed, there may be no established trading market when issued, and one*
- *There may be price discrepancies with respect to the Notes as between various dealers or other purchasers in the secondary market*
- *The Issue Price of the Notes may be more than the market value of such Notes as at the Issue Date and the price of the Notes in secondary market transactions*
- *Credit ratings may not reflect all risks*
- *A credit rating reduction may result in a reduction in the trading value of Notes*
- *Exchange rate risks and exchange controls*
- *The trading market for debt securities may be volatile and may be adversely impacted by many events*
- *A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs*
- *A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes*
- *Post-issuance Information*
- *Additional Risk Factors related to the structure of a particular issue of Notes*

- *Partly-paid Notes*
 - *Fixed Rate Notes*
 - *Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.*
 - *Zero coupon notes are subject to higher price fluctuations than non-discounted notes.*
 - *Variable rate Notes with a multiplier or other leverage factor*
 - *Inverse Floating Rate Notes*
 - *Fixed/Floating Rate Notes*
 - *Notes issued at a substantial discount or premium*
 - *Dual Currency Notes*
4. Risk factors that are generic to Reference Item Linked Notes.

The risk factors described under this sub-section are the following:

- *It may not be possible to use the Notes as a perfect hedge against the market risk associated with investing in a Reference Item*
- *Risks to market price of Reference Item Linked Notes*
- *Regulatory risk for Reference Item Linked Notes*
- *Market Disruption Events or Failure to Open of an Exchange*
- *Potential Conflicts of Interest*
- *Conducting Hedging Transactions*
- *Risk of Leveraged Exposure*
- *Limited Exposure to Reference Items(s)*
- *The amount payable on redemption may be significantly less than the value of an investment in the Notes*
- *Claims against Reference Item(s)*
- *Knock-in and Knock-out provisions*
- *Observation Risk:*

- *Risks relating to Automatic Early Redemption provisions:*
 - *Substitution Risk:*
5. Risk factors associated with Notes that are linked to one or more specific categories of Reference Items.

The risk factors described under this sub-section are the following:

- *Risks relating to Index Linked Notes*
- *Adjustment to indices for Index Linked Notes*
- *Returns on the Notes do not reflect direct investment in underlying shares or other assets comprising the index*
- *A change in the composition or discontinuance of an index could adversely affect the market value of the Notes*
- *The Guarantor or an affiliate of the Guarantor may be the sponsor of an Index which is referenced by an Index Linked Note*
- *Risks relating to Equity Linked Notes*
- *Determinations made by the Calculation Agent in respect of Potential Adjustment Events, Extraordinary Events and Additional Disruption Events may have an adverse effect on the value of the Notes*
- *Risks relating to Inflation Linked Notes*
- *Risks Relating to Commodity Linked Notes*
- *Adjustment to indices for Commodity Linked Notes*
- *Risks relating to Fund Linked Notes*
- *Prospective investors should review carefully the prospectus, information memorandum and/or offering circular (if any) issued by any relevant fund before purchasing any Notes. None of the Issuer, any Affiliate of the Issuer or the Calculation Agent make any representation as to the creditworthiness of or advisability of an investment in relation to any relevant fund or any such fund's administrative, custodian, investment manager or adviser.*
- *Further risks associated with Funds in General*
- *Further risks associated with Fund Managers in General*
- *Risks relating to Credit Linked Notes*

- *General risks relating to Credit Linked Notes*
- *2003 ISDA Credit Derivatives Definitions*
- *Amendment of Credit Linked Conditions in accordance with market convention*
- *Cheapest to deliver*
- *Increase of risk due to the replacement of a Reference Entity or succession*
- *Concentration risks in case of Credit Linked Notes referring to a portfolio of Reference Entities*
- *Amendment of Credit Linked Conditions in accordance with the terms of the Notes*
- *Risks relating to Auction Settlement of Credit Linked Notes*
- *Auction Settlement*
- *Auction Final Price and the Issuer's and/or the Guarantor's ability to influence the Auction Final Price*
- *Role of the Credit Derivatives Determinations Committee*
- *Credit Event and Succession Event Backstop Dates*
- *Settlement Suspension, Adjustments and Interest Provisions*
- *Risks relating to Custom Index Linked Notes*
- *Risks relating to Foreign Exchange (FX) Rate Linked Notes*

PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE (IN THE CASE OF REFERENCE ITEM LINKED NOTES), AND TO SEE HOW THE AMOUNT PAYABLE ON THE NOTES AND ANY PERIODIC INTEREST OR OTHER INTERIM PAYMENTS ARE DETERMINED AND WHEN SUCH AMOUNTS ARE PAYABLE BEFORE MAKING ANY DECISION TO PURCHASE ANY NOTES.

Notes issued under the Programme

The Issuer may issue fully paid or partly paid Notes denominated in any currency agreed between the Issuer and the relevant Dealer, at an issue price which is at par or at a discount to, or premium over, par and up to a maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme of €2,000,000,000 (or its equivalent in other currencies), subject to increase as described in this Base Prospectus, provided that any required authorisations have been duly obtained. The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by BBVA.

The Issuer may issue Notes in bearer, registered or dematerialised book-entry form. The terms and conditions applicable to such Notes will be set out in the applicable Final Terms.

Notes may not: (a) have a minimum denomination (face value amount) of less than €1,000 (or its equivalent in other currencies); or (b) carry the right to acquire new shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. So long as any Bearer Notes are represented by a Temporary Bearer Global Note or a Permanent Bearer Global Note, or so long as a Registered Note is represented by a Registered Global Note, such Notes will be tradeable only in the minimum authorised denomination of €1,000 and higher integral multiples of €1,000. Book-Entry Notes may only be issued in one denomination.

The Notes may be issued on a continuing basis to one or more of the Dealer or Dealers appointed from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis.

Notes may be distributed by way of private or public placement, subject to the restrictions set out under “*Subscription and Sale and Transfer and Selling Restrictions*” below, and in each case on a syndicated or non-syndicated basis.

Notes may be issued as Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Inverse Floating Rate or Reference Item Linked Notes.

Notes may be issued for any maturity greater than one month, as indicated in the applicable Final Terms, or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Prospective investor should also review the risk factors set out in the Security Note of the Guarantor dated 2 November 2010 which are incorporated by reference in this Base Prospectus. (See “Documents Incorporated By Reference” below).

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or otherwise perform its obligations in connection with any Notes may occur for other reasons which may not be considered significant risks by either the Issuer or the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Prospective purchasers of the Notes should consider carefully, among other things in the light of their financial circumstances and investment objectives, all of the information in this Base Prospectus and, in particular, the risk factors set forth below (which each of the Issuer and the Guarantor, in its reasonable opinion, believes represent or may represent the risk factors known to it which may affect the Issuer’s and/or the Guarantor’s ability to fulfil its obligations under the Notes) in making an investment decision. Noteholders may lose the value of their entire investment in certain circumstances.

The Risk Factors set out below appear under the following headings:

1. Risk factors relating to the Issuer
2. Risk factors relating to the Guarantor and the Guarantee
3. Risk factors relating to Notes generally
4. Risk factors that are generic to Reference Item Linked Notes
5. Risk factors associated with Notes that are linked to one or more specific categories of Reference Items

1. Risk Factors relating to the Issuer

Dependence on other Group members

The Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Notes and on-lending the proceeds within the Group. The Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

By virtue of its dependence on other Group members, each of the risks described below that affect the Guarantor will also indirectly affect the Issuer.

2. Risk Factors relating to the Guarantor and the Guarantee

Since the Guarantor's loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on its financial condition.

The Guarantor has historically developed its lending business in Spain, which continues to be its main place of business. The BBVA Group's loan portfolio is concentrated mainly in Spain, Mexico, the U.S. and Latin America. As at 31 December 2010, Spain represented approximately 60% of the BBVA Group's total loan portfolio, while Mexico, the U.S. and Latin America represented 8.4%, 9.8% and 7.8%, respectively. Growth forecasts for the Spanish economy still point towards limited growth rates in the short term due to lower domestic demand and the impact of the financial crisis. The Spanish economy is affected by the slowdown in global growth, which is especially severe in the most important markets for Spanish goods and services exports, such as the rest of the euro area, and by the sovereign crisis suffered by peripheral countries. Greek and Irish rescue programs and the possibility of a Portuguese program has spread doubts about the Spanish economy. Financial stress in Europe has increased Treasury's and financial institutions' costs of finance and, also, for some of them, has stopped the international funding. Besides, in these tight international financial market conditions, one of the weaknesses of the Spanish economy is its heightened need for foreign financing, as reflected by the high current account deficit. If the Spanish economy faces difficulties to make the payments associated with this deficit, this will further damage its economic situation.

Adverse changes affecting the Spanish economy could undermine the Guarantor's financial solvency.

BBVA has historically carried out its business in Spain, which is currently its main place of business. As of December 31, 2010, business activity in Spain represented approximately 60% of the BBVA Group's total loan portfolio. After expanding rapidly, by 3.9% in 2006 and 3.7% in 2007, Spanish GDP advanced 0.9% in 2008 before contracting 3.8% in 2009 and growing only [a] 0.2% in 2010. Sluggish global economic growth has affected the Spanish economy, which is especially sensitive to economic conditions in the euro area as the main export market for Spanish goods and services. Spain has also been hit severely by the fallout from the financial crisis, because of its reliance on foreign funding, as seen by the country's current account and budget deficits. This is the case in particular after the sovereign crisis that is affecting European peripheral countries started. Actual or perceived difficulties in servicing these deficits could cause the Spanish economy to erode further and increase the cost of funding the country's budget deficit. In addition, there are two weakness of the Spanish economy that could interfere with Guarantor business. The first is the downturn in the real estate industry, which BBVA Group expects will continue to struggle over the coming years. The second is the slow restructuring of Spain's financial system. The restructuring process is distorting competition in some market segments, such as deposits, and new and stricter solvency requisites will affect the

business in Spain (8% core capital ratios – or 10% in some cases – as of September 2011). The process has to continue: higher transparency in new institutions balance sheets, an important effort in the reduction of branch and employment overcapacity. The financial activity in the new landscape will be more concentrated in a lower number of institutions and with higher [competitive]. The third is the possibility [of that] a decoupling in the Euro area could increase interest rates before the Spanish economy recovers the growth path.

BBVA Group loan portfolio in Spain has been affected negatively by the contraction of the Spanish economy in 2010, 2009 and 2008.

In the short term the economy remains stagnant, with growth rates that are insufficient to generate employment and persisting doubts regarding the sustainability of some of the factors which lie behind the economy's improvement in recent months. In particular, regarding external factors, uncertainty in the financial markets remains high while the recovery in Europe could be hampered by various factors such as the rescue of certain peripheral countries, the extension of the European governance problems, the appreciation of the euro, fiscal consolidation or the restructuring process at certain financial entities. Besides, the increasing decoupling within the EMU will start straining the conduct of a common monetary policy for the region, already torn between an incipient risk of inflation, especially in core countries, and the need to continue supporting financial stability, especially – but not exclusively – in peripheral economies.

Finally, the fragility of the recovery in financial markets right after the summer highlights that markets are increasingly focusing on sovereign solvency problems in some countries, rather than just liquidity concerns. This stresses the need for a comprehensive solution, both for solving this crisis, as well as establishing a sound crisis prevention and resolution mechanism for the future. This is important because the slowdown in global growth, which is especially severe in the most important markets for Spanish goods and services exports, such as the rest of the euro area.

Turning to Spain, increased domestic demand in the first half of the year was largely due to temporary factors such as lower precautionary savings, less uncertainty and consumers bringing forward certain purchases before the introduction of various fiscal consolidation measures (for example the VAT hike, the end of the Plan 2000E and the elimination at the beginning of 2011 of the tax deduction on primary home purchases). Internal demand is being affected by the deleveraging process which is currently taking place. Also, the need for public administrations to continue rolling out tough fiscal consolidation measures will mean that public spending will contribute negatively to growth. There is also a risk of higher inflation due to the hike of petroleum prices. Finally, the financial system restructuring could imply a lower supply of credit to the economy in the short run, and therefore negatively affect growth. This, combined with the reforms introduced by the central government, will keep growth weak and just slightly positive in 2011 (+0.9%).

Over the medium term, the Spanish economy still faces serious risks and the government must maintain the sense of urgency with which it rolled out various reforms during the summer. In particular, the restructuring of part of the Spanish financial system needs to continue, accelerating its transformation and guaranteeing an adequate level of capitalisation in line with the new global banking regulation. The public authorities must continue working to meet the fiscal deficit targets (which have just been fulfilled in 2010), with the collaboration of autonomous authorities and local governments. Finally, even though the labour market and the pension reforms were steps in the right direction, uncertainty regarding its development and implementation remains high, making it difficult to assess its potential impact on unemployment rates and economic growth.

Besides, in the U.S., monetary expansion is set to intensify in relative terms with respect to Europe (and most other countries), and has thus been reflected in a depreciation of the dollar against the euro and complicating Europe's recovery. If financial tensions continue in Europe, the euro will not appreciate against the dollar in the coming future. In fact, the growth divergence between the US and EMU will – together with financial risk – put downward pressure on the euro and, perhaps more significantly, will keep drawing market attention to the relative difficulty of the EMU to grow out of their high public debt levels.

The Guarantor's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy. Given the concentration of the Guarantor's loan portfolio in Spain, any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on its loan portfolio and, as a result, on its financial condition, results of operations and cash flows.

Some of the BBVA Group's businesses are cyclical and, therefore, income may decline when demand for certain products or services is in a down cycle.

Income from some of the BBVA Group's products and services depends on the soundness of the economies of the regions where the BBVA Group operates or on certain market trends prevailing in those areas. Therefore, down cycles could be detrimental to the Guarantor's future income.

Risks relating to the creditworthiness of borrowers and to general economic conditions are inherent in the Guarantor's business.

Risks arising from changes in creditworthiness or the degree of loan recovery and amounts owed by counterparties are inherent in the BBVA Group's broad range of activities. Changes that have an adverse impact on the creditworthiness of the BBVA Group's borrowers and counterparties, an overall deterioration of economic conditions in Spain, Mexico, the U.S., Latin America and globally or systemic risks in financial systems could decrease the BBVA Group's recoveries and the value of its assets and require higher provisioning for loan losses. Deterioration of the economies where the BBVA Group operates could squeeze the profit margins of Guarantor financial and banking services.

Medium- and small-sized companies and middle and lower income individuals make up a large percentage of BBVA Group customer base. As a result, Guarantor business is highly sensitive to adverse developments in the economy.

A substantial percentage of the Guarantor's customer base is particularly sensitive to adverse developments in the economy, which renders its lending activities relatively riskier than if it lent primarily to higher income customer segments.

Medium- and small-size companies and middle and lower middle income individuals typically have less financial strength than large companies and high-income individuals and accordingly can be expected to be more negatively affected by adverse developments in the economy. As a result, it is generally accepted that lending to these segments of the Guarantor's existing and targeted customer base represents a relatively higher degree of risk than lending to other groups.

A substantial portion of the Guarantor's loan portfolio consists of residential mortgages and consumer loans to middle and lower middle income customers and commercial loans to medium and small companies. Consequently, during periods of slowdown in economic activity it may experience higher levels of past due amounts which could result in higher levels of allowance for loan losses. Latest figures of non-performing loans rates show that the increasing trend has not finished, so the rate is still far from reaching a maximum. The Guarantor cannot be sure that it will not suffer substantial adverse effects on its base loan portfolio to these customer segments in the event of additional adverse developments in the economy.

Increased exposure to real estate in Spain makes the Guarantor more vulnerable to developments in this market.

The Guarantor is currently highly exposed to developments in residential real estate markets. The Guarantor expects the worsening financial conditions and the deterioration of the economic activity already underway in Spain to intensify the adjustment process in the Spanish real estate sector. As a result, the Guarantor expects housing prices to decline, at least up to the first quarter of 2012, and housing transactions to continue decreasing. Prices will have to fall an additional 7-10% in real terms, in particular during the beginning of 2011 due to the elimination of the tax allowance. Adverse changes in the Spanish real estate sector could have a significant impact on the Guarantor's loan portfolio and, as a result, on its financial condition and results of operations. As residential mortgages in Spain are among BBVA Group main assets (representing 23% of the BBVA Group's loan portfolio at 31 December 2009), the Guarantor is exposed to developments in the real estate market.

Highly-indebted households and corporations could endanger the Guarantor's asset quality and future revenues.

Spanish households and firms have reached a high level of indebtedness in recent years, which represents increased risk for the Spanish banking system. The high proportion of loans referenced to variable interest rates makes debt service on such loans more vulnerable to changes in interest rates than in the past. To illustrate, the average debt of Spanish households as a proportion of disposable income increased from 12% at the end of 2003 to approximately 14% at the end of 2009 and 13% at the end of 2010. Similarly, the indebtedness of Spanish companies rose from 16% at the end of 2004 to 29% at the end of 2008 and 26% at the end of 2009. The leverage of Spanish companies is particularly dangerous in the case of the real estate sector, which has to decrease its size towards more sustainable levels. In fact, the debt burden of Spanish households on disposable income increased substantially up to 2007, when it reached 16.8%. The slow pace of the deleveraging process and future increases of interest rates could trigger an increase of debt burden ratios to unsustainable levels. Highly indebted households and businesses are more likely to be unable to service debt obligations as a result of adverse economic events, which could have an adverse effect on the Guarantor's financial condition and results of operations. In addition, the increase in households' and businesses' indebtedness and the worsening of their risk profile also limits their ability to incur additional debt, decreasing the number of new products the Guarantor may otherwise be able to sell and limiting its ability to attract new customers in Spain and thus satisfying its credit standards, which in turn could have an adverse effect on its ability to achieve its growth plans.

Current economic conditions may make it more difficult for the Guarantor to continue funding its business on favourable terms or at all.

Historically, one of the Guarantor's principal sources of funds has been savings and demand deposits. Historically, customer deposits have been the main source of the BBVA Group's funds, representing 31%, 36% and 27% of BBVA Group total funding at 31 December 2009, 2008 and 2007, respectively. Large-denomination time deposits may, under some circumstances, such as during periods of significant changes in market interest rates for these types of deposit products and resulting increased competition for such funds, be a less stable source of deposits than savings and demand deposits. During the last quarters, the competence for deposits in Spain and other peripheral countries has triggered a significant increase in the spread between the rate offered for deposits and the corresponding EURIBOR rate, thus eroding margins. Additionally, some institutions that have received public aid have been very active in the markets, thus distorting the level playing field. These higher deposits rates may trigger an increase in the price of the assets, thus difficulting the transmission of the monetary policy.

The Guarantor could obtain lower brokerage fees and commissions and income from other fee- and commission-based businesses.

The market's adverse situation is likely to cause the volume of the BBVA Group's transactions with customers to decline and, as a result, the BBVA Group's income other than interest income to decrease. In addition, if managed volumes decline, fee and commission income would fall as it is linked to managed volumes.

The crisis triggered by the U.S. subprime market has turned out to be deeper and more persistent than expected. New issuances in wholesale markets have been scarce, expensive and restricted to a few countries and financial institutions, and the interbank markets have limited liquidity, in particular after the Lehman Brothers collapse. Since then, there has been only a very gradual recovery. The publication of the results of the European stress tests enabled a partial opening of the markets, but only for a few big financial institutions and main on short terms. However, the sovereign crisis has stopped those trends so issuance in the market has become very expensive for Spanish financial institutions and only a few banks can access the markets nowadays. New solvency requirements will force a significant number of institutions to try to issue new capital and this will increase competition in the issuance markets. Institutional and economic reforms in Europe will be crucial for solving the financial crisis. The global economic environment is particularly adverse, with a worsening financial crisis that is spreading to previously unaffected countries and areas of the economy and in particular to European peripheral countries. Governments around the world are implementing ambitious fiscal expansion programmes, trying to boost their economies, which has resulted in an increase of their fiscal deficits. Announcements up to now amount to a substantial fiscal stimulus for the global economy. Fiscal policy may offer the best chance to limit economic deterioration, but execution risks are large. In this context, the Guarantor cannot provide assurances that it will be able to continue funding its business or, if so, maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets.

The Guarantor faces increasing competition in its business lines.

The markets in which the Guarantor operates are highly competitive. Financial sector reforms in the markets in which it operates have increased competition among both local and foreign financial institutions, and it believes that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks and saving banks with which it must now compete, some of which have received public capital and have not been forced to disinvest in non-core activities or to keep a low profile in certain markets, like the deposits market. A second round of consolidation in the Spanish financial market cannot be ruled out, as the restructuring process continues. In fact, the 45 savings banks which operated before the crisis started in Spain are now only 17.

The Guarantor also faces competition from non-bank competitors, such as department stores (for some credit products), automatic finance corporations, leasing companies, factoring companies, mutual funds, pension funds, and insurance companies.

The Guarantor cannot be sure that this competition will not adversely affect its business, financial condition and results of operations.

The Guarantor's business is particularly vulnerable to volatility in interest rates.

The Guarantor's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond its control, including regulation of the financial sectors in the markets in which it operates, monetary

policies pursued by the EU, national governments, domestic and international economic and political conditions and other factors.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby negatively affect the Guarantor's results of operations. For example, an increase in interest rates could cause its interest expense on deposits to increase more significantly and quickly than its interest income from loans, resulting in a reduction in its net interest income. In fact, this effect will be more negative given the current competence for deposits and the increased liquidity needs of some institutions as financial markets remain closed.

As at 31 December 2009, interest rate risk measured in terms of daily value at risk (VaR) stood at €38 million compared to €41 million at 30 September 2010.

Since a substantial part of the Guarantor's loan portfolio, around 70%, consists of variable interest rate loans maturing in more than one year, the Guarantor's business is particularly vulnerable to volatility in interest rates.

Market risks related to fluctuations in bond and equity prices and other market factors are inherent in the Guarantor's business. A prolonged market decline could reduce market liquidity, making it difficult to sell assets and leading to material losses.

Trends in financial markets may cause changes in the value of the BBVA Group's investment portfolios and operations. For some of the Guarantor's businesses, prolonged declines in asset prices may reduce the level of activity or market liquidity. This could lead to material losses unless the BBVA Group unwinds its loss-making positions in a timely fashion. In particular, this could be the case of the BBVA Group's assets for which there are not sufficiently liquid markets. Assets not traded on stock exchanges or other secondary markets, such as some derivatives among banks, may be valued by the BBVA Group using models other than official prices. Monitoring declines in prices for this type of asset is complex and could lead to unforeseen losses for the Guarantor.

Increasing volatility in equity markets around the world caused by the credit crisis is particularly affecting the financial sector. This situation could affect the value of the BBVA Group's investments in financial institutions and, depending on trends in their fair value and the outlook for recovery, could lead to permanent declines, which, according to prevailing legislation, would be written off against profit and loss.

Despite its risk management policies, procedures and methods, the Guarantor could be exposed to unidentified or unforeseen risks.

The BBVA Group's risk management techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all financial market environments or against all types of risk, including those that the Group is unable to identify or foresee. The BBVA Group bases some of its risk management qualitative tools and metrics on the use of observed historical market behaviour. The BBVA Group applies statistical and other tools to these observations in order to quantify its risk exposures. These qualitative tools and metrics may not be capable of predicting future risk exposures such as, for example, those arising from factors that the Guarantor did not anticipate or assess correctly in its statistical models. This would limit the BBVA Group's ability to manage its risks. Therefore, the Guarantor's losses could be significantly greater than the historical measures indicate. In addition, the BBVA Group's quantitative models do not take into account all of the risks. The BBVA Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unexpected losses. If existing or potential customers believe the Guarantor's risk management is inadequate, they could take their business to another bank, harming the Guarantor's reputation, as well as its revenues and profits.

The Guarantor has invested in financial institutions in recent years, enabling it to penetrate new markets.

The BBVA Group has acquired equity interests in a number of financial institutions over the past few years. In the U.S., it acquired Compass Bank and more recently, Guaranty Financial BBVA Group, in addition to a stake in China CITIC Bank (CNCB). On December 3, 2009, we announced the exercise of the option to purchase 1,924,343,862 additional shares of CNCB. After the exercise of this option in 2010, our stake in CNCB has increased to 15%. We have recently acquired [the] 24.9% of the Turkish bank Garanti. On December 2010, BBVA and Bank of Baroda (BoB) signed a Memorandum of Understanding (MOU) to form a joint venture in credit card business. Upon regulatory approval, the agreement between both entities will allow BBVA to acquire a 51% stake in the existing credit card unit of Bank of Baroda, BOBCARDS, for a total consideration of 34 million euros.

Furthermore, continuing this policy followed in recent years, the BBVA Group may consider other acquisitions in future. No assurance can be made that the Guarantor will be successful in managing these acquisitions.

The BBVA Group cannot give assurances that its acquisitions will perform in accordance with its expectations. When assessing its potential acquisitions, the Guarantor must necessarily base its decisions on limited and potentially incorrect information and working assumptions as regards operations, profitability and other matters that may be inaccurate or incomplete. The Guarantor+ cannot guarantee that its expectations regarding integration and synergies will materialise.

Increased competition in the countries where the Guarantor operates may have an adverse impact on its growth prospects and operations.

Most of the financial systems in which the BBVA Group operates are highly competitive. Recent financial sector reforms in the markets in which the BBVA Group operates have increased competition among both local and foreign financial institutions, and the BBVA Group believes that this trend will continue. Specifically, price competition in Europe and Latin America has intensified over the last couple of years, and the deposit war in Spain is damaging our operations. Success in these markets will depend on the Group's ability to compete effectively with other financial institutions. There is also a trend towards consolidation in the banking industry, which has given rise to larger and stronger banks with which the BBVA Group must now compete. For example, the restructuring process in Spain is triggering a significant concentration of the business. The Guarantor cannot assure that this increased competition will not undermine its growth prospects and, therefore, have an adverse impact on its operations. The BBVA Group also faces competition from competitors other than banks, such as brokers, large department stores (for some loan products), leasing and factoring companies, mutual fund and pension fund management companies, and insurance companies.

The Guarantor has a substantial amount of commitments with personnel considered wholly unfunded due to the absence of qualifying plan assets.

BBVA Group commitments with employees are recognised under the "Provisions – Provisions for pension and similar obligations" in the consolidated balance sheets. The amount shown include "post-employment benefits", "early retirement benefits" and "post-employment welfare benefits", which as at 31 December 2009 amounted to €2,536 million, €3,309 million and €401 million, respectively, and at 31 December 2008 amounted to €2,638 million, €3,437 million and €284 million, respectively. No specific assets are assigned to these commitments.

The BBVA Group has insurance policies with BBVA's own insurance company to mitigate liquidity risk and fulfil the payment obligations of these "post-employment benefits". Insurance companies recognise specific assets (deposits and fixed-rate bonds) assigned to fund these commitments on their

balance sheets. These companies also manage derivatives (mainly swaps) to mitigate the exposure of these liabilities to interest rate risk. The BBVA Group attempts to mitigate the liquidity risk of “early employee retirements” and “post-employment welfare benefits” through the Asset-Liability Committee (ALCO). The BBVA Group’s ALCO manages a specific asset portfolio to mitigate liquidity risk with respect to the payments of these liabilities. The assets are usually AAA/AA-rated government bonds and covered bonds issued at fixed rates of interest whose maturities match the scheduled payments. The BBVA Group’s ALCO also manages derivatives (mainly swaps) to mitigate the interest rate risk regarding payment of these commitments. Failure to manage adequately the liquidity and interest rate risks described above could have a negative impact on the Guarantor's business, financial position, cash flows and results.

Interest rate volatility may have an adverse effect on the Guarantor's net interest income and cause an increase in its non-performing loans.

Fluctuations in interest rates may have a different impact on the interest income the BBVA Group receives from interest-earning assets than on the interest paid by the BBVA Group on its interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income, leading to a reduction in the Guarantor’s net interest income. Income from treasury operations is particularly vulnerable to interest rate volatility. Since the majority of the BBVA Group’s loan portfolio reprices in less than one year, increases in interest rates could also bring about an increase in the non-performing loan portfolio. Interest rates are highly sensitive to various factors that are beyond the Guarantor’s control, including, *inter alia*, deregulation of the financial sector, monetary policies, and domestic and international economic and political conditions.

As at December 31, 2009, interest rate risk measured in terms of daily value at risk (VaR) stood at €38 million (€41 million at September 30, 2010).

Fluctuations in foreign exchange rates may have an adverse impact on the Guarantor's earnings and the value of its assets.

In the ordinary course of the BBVA Group’s business, a percentage of its assets and liabilities is denominated in currencies other than the euro. Fluctuations in the value of the euro against other currencies may have an adverse affect on the Guarantor’s profitability. For instance, appreciation by the euro against the Mexico peso, some Latin American currencies and the U.S. dollar could decrease revenue from the BBVA Group’s operations in these markets. Additionally, while most of the countries in which the BBVA Group operates have not imposed prohibitions on the repatriation of dividends, capital investments or other distributions, no assurance can be given that these countries will not institute restrictive exchange control policies in the future. Moreover, fluctuations among the currencies in which Guarantor shares and ADSs trade could reduce the value of your investment.

As at December 31, 2009, the highest exposure of temporary positions (with a potential impact on profit or loss) was concentrated in U.S. dollars, followed by Mexican pesos. As at December 31, 2009, the highest exposure of temporary positions (with a potential impact on equity) by order was concentrated in Mexican pesos, followed by U.S. dollars, Chinese yuan and Venezuelan bolivar. The Guarantor has permanent hedges on these positions through exchange rate derivatives.

Changes in the regulatory framework in the jurisdictions where the Guarantor operates could have an adverse impact on its business.

A number of banking regulations designed to maintain or strengthen banks’ liquidity, safety and solvency and limit their risk exposure apply in the different jurisdictions where the Guarantor operates. Changes in regulations, which are beyond the BBVA Group’s control, may have a material impact on the BBVA Group’s business and operations. Since some of the banking laws and regulations have recently been adopted, the manner in which they apply to the operations of financial

institutions is still evolving. In particular, new financial stability, solvency and [liquidity international regulation] will seriously affect our operations. Moreover, no assurance can be given that laws or regulations will be passed, come into force or be interpreted in a manner that will not have an adverse effect on the Guarantor's business.

Operational risks are inherent in the Guarantor's business

The BBVA Group's business depends on the ability to process a large number of transactions efficiently and accurately. Losses can result from hiring inadequate personnel, applying inadequate or defective internal control processes and systems, or from external events that interrupt the Group's normal business operations. BBVA Group also face the risk that controls and procedures are inadequately designed. The Guarantor has sustained losses in the past from this risk, and there can be no assurance that it will not suffer material losses for this reason in the future.

Credit, market and liquidity risks may have an adverse effect on the Guarantor's credit ratings and its cost of funds.

Any downgrade to the BBVA Group's ratings could raise the Guarantor's borrowing costs, limit its access to capital markets, and have an adverse impact on the sale or marketing of products, participation in business transactions – particularly longer term and derivatives transactions – and affect the Guarantor's ability to retain its customers. Being a Spanish bank, the European sovereign crisis could trigger a downgrade of our rating. This could reduce the BBVA Group's liquidity and have an adverse effect on its operating results and financial position.

Mexico is an important market for the BBVA Guarantor and, as a result, a worsening of the country's economic and political situation could have a negative impact on BBVA Group operations.

The Guarantor's commitments with personnel which are considered to be wholly unfunded are recognised under the heading "Provisions—Funds for Pensions and Similar Obligations" in its consolidated balance sheets. These amounts include "Post employment benefits", "Early Retirements" and "Post-employment welfare benefits", which amounted to €2,638 million, €3,437 million and €284 million, respectively, as of December 31, 2008 (€2,683 million, €2,950 million and €300 million, respectively, as of December 31, 2007). These amounts are considered wholly unfunded due to the absence of qualifying plan assets.

The Guarantor faces liquidity risk in connection with its ability to make payments on these unfunded amounts which it seeks to mitigate, with respect to "Post-employment benefits", by maintaining insurance contracts which were contracted with insurance companies owned by the Group. The insurance companies have recorded in their balance sheets specific assets (fixed interest deposit and bonds) assigned to the funding of these commitments. The insurance companies also manage derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. The Guarantor seeks to mitigate liquidity risk with respect to "Early Retirements" and "Post-employment welfare benefits" through oversight by the Group's ALCO. The Group's ALCO manages a specific asset portfolio to mitigate the liquidity risk regarding the payments of these commitments. These assets are government and covered bonds (AAA/AA rated) which are issued at fixed interest rates with maturities matching the aforementioned commitments. The Group's ALCO also manages derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments.

Risks Factors Relating to Latin America

Events in Mexico could adversely affect the Guarantor's operations.

The Guarantor is substantially dependent on its Mexican operations. As at December 31, 2009 Mexico represented approximately 8.4% of the BBVA Group's total loan portfolio. 38% of the Guarantor's net income attributed to the Group in 2010 was generated in Mexico. Net profit obtained in Mexico represented 32% of the total in 2009 and 39% in 2008. The Guarantor faces several types of risks in Mexico which could adversely affect its banking operations in Mexico or the BBVA Group as a whole. Given the internationalisation of the financial crisis, the Mexican economy is feeling the effects of the global crisis and the adjustment process that was under way is accelerating. The close economic relationship between Mexico and the United States determines the cyclical evolution of our country. In this sense, the main sources of foreign revenue: exports, tourism and revenue from remittances could be negatively affected by any step backwards in the recovery of the United States, which is the buyer of 80% of Mexican exports. Regarding remittances, given the sources of employment of Mexican workers in the U.S., the dynamics of the construction, retail and manufacturing sectors will be crucial. With this, despite the recovery that began, it is expected that the maximum levels prior to the crisis (in 2007) will not be reached until 2012 or 2013. The brake on labor income of some wages, which have not grown in real terms, and the high elasticity of imports with regard to domestic growth, forecast the gradual moderation of growth down to a 3.4% average in 2011. There are also inflation risks, such as those derived from the possible impact of the marked increases observed in the international grain markets.

The initial effects are in manufacturing and in those areas with a greater degree of exposure to the international environment, but internal demand is also showing clear signs of moderation and demand, which is taking longer in returning to the levels prior to the recession. The rather inertial growth in the components of internal demand, as well as the dependence on external demand, continues to increase the need for a second round of structural reforms. The Guarantor cannot rule out the possibility that in a more unfavourable environment or lower potential growth for the United States, growth in Mexico would be negatively affected.

The Guarantor's mortgage and especially the consumer loan portfolio could start showing much higher delinquency rates if there is a persistent increase in unemployment rates, which could arise if there is a more pronounced slowdown in the United States. It is likely that such unemployment rates will further increase.

In addition, price regulation and competition could squeeze the profitability of the Guarantor's Mexican subsidiary. For example, in order to increase competition and to deepen credit, Mexican financial regulators could elect to introduce price distortions not linked to the true risk premium. If this occurred, the market share of the Guarantor's Mexican subsidiary could decrease given its risk selection standards and profitability of the business could also decrease.

Finally, political instability or social unrest could weigh on the economic outlook, which could increase economic uncertainty and capital outflows. Violence in Mexico could be putting a brake on the performance of the Mexican economy, by increasing production and transaction costs and reducing the accumulation of physical and human capital, thereby affecting both annual growth as well as the capacity for growth in the medium term.

Any of these risks or other adverse developments in laws, regulations, public policy or otherwise in Mexico may adversely affect the business, financial condition, operating results and cash flows of the Guarantor's Mexican subsidiary or the BBVA Group as a whole.

The Guarantor's Latin American subsidiaries' growth, asset quality and profitability may be affected by volatile macroeconomic conditions, including government default on public debt, in the Latin American countries in which they operate.

Latin American banking activities (including retail banking, global wholesale banking, asset management and private banking) contributed €769 million to net attributable profit for the financial year ended December 31, 2009 (an increase of 11.6% from €689 million for the year ended December 31, 2008). The Latin American countries where the Guarantor operates have experienced significant economic volatility in recent decades, characterised by slow growth, declining investment and significant inflation. In the future, commodity prices will level off, but nonetheless inflation risks are becoming more relevant in emerging economies, which will continue to grow strongly.

This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Guarantor lends. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect the Guarantor's profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services. Negative and fluctuating economic conditions in some Latin American countries could result in government defaults on public debt. This could affect the Guarantor in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several Latin American countries in which the Guarantor operates.

More worrying for emerging economies is the realization that rapid growth and strong capital inflows in Asia and Latin America are starting to generate overheating pressures, through inflation but also evident through rapid credit growth and increasing asset prices. Driven by domestic demand and high commodity prices, Latin America is poised to grow strongly in 2011, converging to potential growth of around 4% in the region. As mentioned before, the biggest challenge for both regions will be to manage the policy dilemmas generated by strong capital inflows. We expect policy to continue tightening in most countries, while at the same time imposing ever more stringent administrative controls to limit those inflows and prudential measures to limit credit growth, especially in Asia.

In emerging economies, a strong asymmetry in exchange rate policy between Asia and Latin America continues, forcing the latter to bear (together with the euro) a significant part of the exchange rate appreciation derived from renewed monetary easing in the US.

Besides, there is still a risk that domestic demand will continue to grow at a faster rate than the economy's potential, putting pressure on current accounts and real exchange rates.

While the Guarantor seeks to mitigate these risks through what it believes to be conservative risk policies, no assurance can be given that its Latin American subsidiaries' growth, asset quality and profitability will not be affected by volatile macroeconomic conditions in the Latin American countries in which it operates.

The ability to grow and increase market share in some Latin American countries where the BBVA Group operates could be limited by strong competition.

Certain Latin American countries in which the BBVA Group operates: (i) only have limited regulatory barriers to entry, (ii) generally do not distinguish between local and foreign-owned banks, (iii) have allowed consolidation among banks, and (iv) do not impose restrictions on capital movements. As a result, the BBVA Group is faced with strong local and foreign competition in retail and investment banking.

Latin American economies can be directly and negatively affected by adverse developments in other countries.

Financial and securities markets in Latin American countries in which the Guarantor operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries in Latin America. In particular, the current international financial crisis could end up having a negative impact on Latin American markets. If the global financial crisis continues and, in particular, if the effects on the Chinese and U.S. economies intensify, the business, financial condition, operating results and cash flows of the Guarantor's subsidiaries in Latin America are likely to be materially adversely affected.

The Guarantor is exposed to foreign exchange and, in some instances, political risks as well as other risks in the Latin American countries in which it operates, which could cause an adverse impact on its business, financial condition and results of operations.

The Guarantor operates commercial banks in ten Latin American countries and its overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. The Guarantor is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalisation of assets. The Guarantor's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors. In particular, the current strong asymmetry in exchange rate policy between Asia and Latin America continues, forcing the latter to bear (together with the euro) a significant part of the exchange rate appreciation derived from renewed monetary easing in the U.S.

Besides, currently both Asia and Latin America confront increasing monetary and exchange rate policy dilemmas, between cooling strong domestic demand and preventing strong capital inflows and preserving competitiveness in foreign markets. Some countries have started introducing administrative measures to discourage strong capital inflows and some others have slowed their rate of monetary tightening. Given the relative inflexibility of exchange rates in China (and, to a lesser extent, in the rest of emerging Asia), Latin America is facing a significant part of the adjustment, to the point that further exchange rate appreciations will start to be a problem for growth. Thus, many countries in the region are weighing further exchange rate interventions although experience shows that their effectiveness is rather limited, contributing mostly to slow down the rise in exchange rates, but not prevent them. The risk is that increased intervention into foreign exchange markets ends up sliding into retaliatory trade measures.

As at December 31, 2009, the highest exposure of temporary positions (with a potential impact on profit or loss) was concentrated in U.S. dollars, followed by Mexican pesos. As at December 31, 2009, the highest exposure of temporary positions (with a potential impact on equity) by order was concentrated in Mexican pesos, followed by U.S. dollars, Chinese yuan and Venezuelan bolivar. The Guarantor has permanent hedges on these positions through exchange rate derivatives.

The Guarantor's presence in these markets requires it to respond to rapid changes in market conditions in these countries. It cannot be sure that it will continue to succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

Regulatory changes in Latin America that are beyond the Guarantor's control may have a material effect on its business, financial condition and results of operations.

A number of banking regulations designed to maintain the safety and soundness of banks and limit their exposure to risk are applicable in certain Latin American countries in which the Guarantor operates. Local regulations differ in a number of material respects from equivalent regulations in Spain and the United States. Further capital control measures are likely in some Latin American countries, particularly in Brazil. There is an increased risk of intervention of our subsidiary in Venezuela. Finally, additional credit control measures would be likely in countries with significant strength in economic activity (e.g. Peru).

Changes in regulations that are beyond the Guarantor's control may have a material effect on its business and operations, particularly in Venezuela. In addition, since some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the Guarantor's business, financial condition, results of operations and cash flows.

Risks Factors Relating to Other Countries

The Guarantor's strategic growth in Asia exposes it to increased regulatory, economic and geopolitical risk relating to emerging markets in the region, particularly in China.

In 2008 and 2009, the BBVA Group increased its interest in CITIC by raising its shareholdings in CITIC International Financial Holdings Ltd (CIFH), to 29.7%, and in China CITIC Bank (CNCB), to 10.07%. In addition, in 2010, BBVA Group exercised the call option on CNCB, acquiring an additional 4.93% and raising the stake in that bank to 15%. CIFH and CNCB are financial institutions based in Hong Kong and China, respectively.

In 2008, the Guarantor further increased its ownership interest in members of the CITIC Group, a Chinese banking group, by increasing its stake in CIFH up to 29.7% and CNCB up to 10.07%. CIFH is a banking entity headquartered in Hong Kong and previously listed on the Hong Kong stock exchange.

In December 2010, BBVA and Bank of Baroda formed a joint venture to offer credit cards in India. BBVA acquired a 51% stake in the existing credit card unit of Bank of Baroda, BOBCARDS, by investing a total amount of 34 million euros.

As a result of its expansion into Asia, the Guarantor is exposed to increased risks relating to emerging markets in the region, particularly in China. The Chinese government has exercised, and continues to exercise, significant influence over the Chinese economy. Chinese governmental actions concerning the economy and state-owned enterprises could have a significant effect on Chinese private sector entities in general, and on CNCB or CIFH in particular. Emerging economies continue to grow strongly, with emerging Asia (and China in particular) leading the world recovery, which entails a short term risk of overheating. China is also affected by policy dilemmas, between cooling strong domestic demand and preventing strong capital inflows and preserving competitiveness in foreign markets. Although China has allowed relatively little currency appreciation over the past year, we view the prospects for a significant acceleration in the pace of revaluation to be low, given the authorities' preference for gradualism, concern about the strength of the global recovery, and fears of generating speculative capital inflows. Therefore, reserve accumulation in China may continue or even accelerate, thereby putting pressure on floating currencies. Besides, additional credit control measures would be likely in countries with significant strength in economic activity, such as China.

Going forward, growth in Asia will slow down because of a reduction in momentum from the ending of the global inventory cycle, weaker external demand and a withdrawal of policy stimulus.

The Guarantor is also exposed to regulatory uncertainty and geopolitical risk as a result of its investments in Asia. Changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could adversely affect the Guarantor's investments. Moreover, Asian economies can be directly and negatively affected by adverse developments in other countries in the region and beyond.

Any of these developments could have a material adverse effect on the Guarantor's investments in Asia or the business, financial condition, operating results and cash flows of the BBVA Group.

The Guarantor's continued expansion in the United States increases its exposure to the U.S. market.

The Guarantor's expansion in the United States makes it more vulnerable to developments in this market, particularly the real estate market. In the year prior to 2008, the sound economic growth, the strength of the labour market and a decrease in interest rates in the United States caused an increase in the demand for mortgage loans. This had repercussions in housing prices, which also rose significantly. During the summer of 2007, the difficulties experienced by the subprime mortgage market triggered a real estate and financial crisis, which has significantly affected the real economy and which has resulted in significant volatility and uncertainty in markets and economies around the world. As the Guarantor has acquired entities in the United States, particularly Compass and the recent acquisition of the banking operations of Guaranty Bank, its exposure to the U.S. market has increased. Real estate markets remain feeble and still prone to negative surprises. Household income is still sluggish given that the speed of the recovery will not be sufficient to significantly reduce unemployment rates. On top of it, credit growth and securitization processes remain subdued. These factors continue to configure a scenario in which an additional negative shock would harm the economy. For now, this outlook of gradual economic recovery with low inflationary pressures on the demand side, will permit monetary policy to remain accommodative for an extended period, but the risk of higher interest rates in the long-run has become more relevant. The US will need to show a clear commitment to fiscal consolidation or risk a sudden spike in long-term interest rates. Rating agencies have already started to signal this risk.

In addition, adverse changes to the U.S. economy in general, or to the U.S. real estate market in particular, has had and could continue to have a material adverse effect on the business, financial condition, results of operations and cash flows of the Guarantor's subsidiary, which could negatively affect its expected return on acquisitions. Adverse developments in the U.S. economy in general and the U.S. real estate market in particular prompted us to take a write-down of the goodwill arising on his acquisition of BBVA Compass and to increase provisions at December 31, 2009 by €1,050 million (net of tax). A worsening of economic conditions in the U.S. could have a negative impact on the business, financial position, results and cash flows of the BBVA Group subsidiary BBVA Compass.

EU sovereign risk

As a Spanish bank, BBVA has an important amount of commercial business in Spain. Like other banks operating in Spain and Europe, BBVA's results and liquidity could be affected by the economic situation prevailing in Spain and other EU Member States. Certain macroeconomic indicators have improved in 2010. Nonetheless, some countries in Europe, including Spain, have relatively high levels of sovereign debt, fiscal deficits or both, causing pressure in international debt and interbank lending markets and volatility in the euro's exchange rate this year.

The release in July 2010 of the results of the bank stress tests conducted in the euro area have helped relieve some of the pressure and restore confidence in the Spanish and European banking sectors.

However, the worsening of the Irish financial system situation triggered an exacerbation of the sovereign crisis soon after that, having an adverse impact on the cost and availability of funding for Spanish and European banks, including BBVA, and on BBVA's business, financial position and operations.

BBVA could be subject to stricter capital requirements and further restrictions on its operations and businesses

The new capital requirements established in Basel III will be introduced gradually between January 2013 and 2019. It remains to be seen how they will be implemented in Spain in general and in the large Spanish banks, like BBVA, in particular. The Ministry of Economy has recently announced that Basel III 2013 requisites will start being applied in September 2011, and that minimum core capital will be 8% (or 10% in some cases). No assurance can be made that the implementation of these requirements or any other new rules will not have an adverse impact on BBVA's ability to pay dividends and will not force the bank to issue securities classified as regulatory capital or dispose of assets or curtail business, which could have an adverse impact on BBVA's business, financial position and results of operations.

BBVA's operation could likewise be affected by other regulatory reforms adopted recently in response to the economic crisis, such as the enactment in the U.S. in July 2010 of the Dodd-Frank Act. Among other changes introduced by the law, after five years from enactment, the Federal Reserve Board will apply minimum capital ratios to bank holding companies in the U.S. that are subsidiaries of foreign banks. Although it is still unclear as to how the rules will be implemented by law, certain features of this new legislation could lead to changes affecting the profitability of the BBVA Group's commercial operations thus necessitating a change in practices, exposing the BBVA Group to additional expenses (including the increase in costs derived from compliance with the law). The introduction of these changes could prompt BBVA to invest a significant amount of time and management resources.

Besides, new European regulation on financial stability, liquidity, crisis management and European governance among others could negatively affect our operations.

Governmental responses to recent market disruptions may be inadequate and may have unintended consequences.

In response to recent market disruptions, legislators and financial regulators have taken a number of steps to stabilise the financial markets. These steps have included various fiscal stimulus programmes and the provision of direct and indirect assistance to distressed financial institutions, assistance by banking authorities in arranging acquisitions of weakened banks and broker/dealers, implementation of various programmes by regulatory authorities to provide liquidity to various credit markets, rescuing some European economies and temporary prohibitions on short sales of certain financial institution securities. Additional legislative and regulatory measures are under consideration in various countries around the world, including, for example in the United States, where measures with respect to modifications of residential mortgages, consumer protection rules and an overhaul of the financial regulatory framework are under consideration. The overall effects of these and other legislative and regulatory efforts on the financial markets are uncertain and may not have the intended stabilisation effects. In addition to these actions, various regulatory authorities in Member States of the European Union and in the United States have taken regulatory steps to support financial institutions, to guarantee deposits and to seek to stabilise the financial markets.

Should these or other legislative or regulatory initiatives fail to stabilise the financial markets, the Guarantor's business, financial condition, results of operations, cash flow and business plans could be adversely affected.

In addition, while these measures have been taken to support the markets, they may have unintended consequences on the global financial system or the Guarantor's businesses, including reducing competition, increasing the general level of uncertainty in the markets or favouring or disfavouring certain lines of business, institutions or depositors. The Guarantor cannot predict the effect of any regulatory changes resulting from recent market disruptions and any such changes can have a material adverse effect on the Guarantor's business, financial condition, results of operations, cash flow and business plans.

The acquisition of Garanti could result in unforeseen losses for BBVA.

BBVA recently announced the acquisition of a 24.8902% stake in Garanti Bank (**Garanti**) (such acquisition (the **Acquisition**). Certain information about Garanti was considered in the acquisition that may be inaccurate, incomplete or outdated. In addition, hypotheses were made regarding the future performance of margin levels, asset quality and other matters regarding Garanti that may be inaccurate or incorrect.

Garanti's results for future periods may differ from those expected by BBVA or analysts, which could lead to a decline in Garanti's share price and, as a result, in the value of BBVA's investment in the bank.

In addition, BBVA could be exposed to risks related to or arising from the Acquisition that are unknown and that may have a material effect on the value of BBVA's investment in Garanti. In this regard, there are several risk factors, such as a potential downturn in the markets, an increase in competition, government responses to crises or certain regulatory changes that are partially and fully beyond the control of BBVA or Garanti and that could have a material negative impact on the business, the financial conditions, the results of operations and the earnings of Garanti which could lead to a decline in Garanti's share price and, in turn, in the value of BBVA's proposed investment in Garanti.

As Garanti operates mainly in Turkey, economic and other developments in that country could have a material adverse impact on its business, financial conditions and results of operations and on the value of BBVA investment in Garanti.

Most of Garanti's operations and its customers are in Turkey. Accordingly, Garanti's ability to recover loans, its financial position and operating results are highly dependent on the economic, financial, political and geopolitical conditions in Turkey. Certain factors could have an adverse impact on the Turkish economy, including but not limited to a decline in economic activity, a devaluation of the Turkish lira, inflationary scenarios, circumstances related to the instability in neighbouring countries (like Tunisia or Egypt), or an increase in domestic interest rates and natural disasters. If they occur, these factors could influence the ability of Garanti's customers to fulfil their payment or other obligations, which could affect Garanti's financial position and earnings prospects. All these risks, if they materialise, may have a material adverse impact on the Turkish economy and on the business, financial condition and results of operations of Garanti and, as a result, on the value of BBVA's investment in Garanti.

Emerging markets such as Turkey are exposed to greater risks of political, economic and financial instability than the more developed economies. Therefore, in spite of the fact that in recent years Turkey has benefited from a more stable political and economic situation and that the current Turkish government has implemented institutional reforms to meet international standards, potential events that may occur in the Turkish market as a result of its status as an emerging economy could affect business and have a negative impact on the results of Garanti's operations and its share price and, as a result, on the value of BBVA's investment in the bank.

Furthermore, instability in emerging markets tends to have an adverse impact on the prices of securities listed on stock exchanges and debt instruments of other emerging markets, as investors steer money flows towards more stable and developed markets. An increase in the perception of risk related to investment in emerging economies may lead to a decline of capital inflows into Turkey, thereby having a negative impact on the Turkish economy. No assurance can be given that investor interest in Turkey will not be affected negatively by events occurring in other emerging markets or the global economy in general.

BBVA will be exposed to foreign currency, political and other risks related to Turkey, which may have a material adverse impact on Garanti's business, financial condition and results of operations and on the value of BBVA's proposed investment in Garanti.

As of 30 June 2010, the majority of Garanti's total securities portfolio (representing 31% of its total assets) was invested in securities issued by the Turkish government. Therefore, in addition to direct losses that Garanti could sustain in the event of default or an increase in the perception of the possibility of default with respect to securities issued by the Turkish government or a downgrade in Turkey's rating, the value of the government securities held by Garanti, as well as the Turkish banking system, would be affected considerably. This would have a material impact on the business, financial conditions and results of operations of Garanti and the value of BBVA's proposed investment in Garanti.

BBVA has reached a shareholders agreement with Doğuş Group regarding the Acquisition

BBVA has reached an agreement with the shareholders of Doğuş BBVA Group regarding the Acquisition. Under the terms of the shareholder agreement, BBVA and Doğuş BBVA Group will manage Garanti jointly by appointing the members of the bank's board of directors and management committee. Doğuş BBVA Group is one of Turkey's largest conglomerates, with businesses in the financial services, construction, tourism, and automotive industries. Any financial condition or adverse circumstance affecting Doğuş BBVA Group or involving a disagreement on the joint management may have a negative impact on Garanti.

The Acquisition is subject to certain approvals and authorities by various government organisations, which could impose conditions that may have a negative impact on BBVA and the fulfilment of other conditions.

Before the consummation of the Acquisition of Garanti can be completed, approval and authorisations must be granted by Banco de España, the Turkish Banking Regulation and Supervisory Agency (BRSA), the Turkish Capital Markets Board (CMB) and other regulators, including anti-trust authorities. While BBVA does not expect such authorisations to be denied, no assurance can be given that they will be granted or that the authorisations will be granted within a longer time period than expected. This, consequently, could delay or prevent the Acquisition, have an adverse effect on the same, result in additional costs or limit the expected profits of BBVA, which could have an adverse impact on BBVA.

3. Risk Factors relating to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all the information contained in the applicable Final Terms;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest amounts payable in one or more currencies, or where the specified currency for principal or interest payments of the Notes is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;
- (e) in respect of Notes linked to the performance of one or more underlying shares, indices, rates of interest, other rates, foreign exchange rates, funds, commodities, inflation indices, custom indices, and/or any other type of securities or assets or other basis of reference (together, **Reference Items** and each, a **Reference Item**) and/or entities (together **Reference Entities** and each, a **Reference Entity**) (each such Note, a **Reference Item Linked Note**, and together **Reference Item Linked Notes**), understand thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the nature of each such Reference Item Linked Note; and
- (f) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes, particularly Reference Item Linked Notes, are complex financial instruments. Investments in Reference Item Linked Notes entail significant risks not associated with investments in conventional securities such as debt or equity securities including, but not limited to, the risks set out in "*Additional Risk Factors related to the structure of a particular issue of Notes*" below and may not be appropriate for investors lacking financial expertise. Prospective investors should consult their own financial, tax and legal advisers as to the risks entailed by an investment in such Notes and the suitability of such Notes in light of their particular circumstances, and ensure that its acquisition is fully consistent with their financial needs and investment policies, is lawful under the laws of the jurisdiction of its incorporation and/or in which it operates, and is a suitable investment for it to make. The Issuer believes that such Notes should only be purchased by investors who are, or who are purchasing under the guidance of, financial institutions or other professional investors that are in a position to evaluate how the Notes will perform under changing conditions and understand the special risks that an investment in these instruments involves, in particular relating to options and derivatives and related transactions, and should be prepared to sustain a total loss of the purchase price of their Notes.

Spanish Tax Rules

Under Spanish law, interest payments in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 19 per cent., in the case of individual holders (as defined herein) who are resident for tax purposes in Spain.

Although Law 4/2008 of December 23, abolishing the Wealth Tax levy, generalizing the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (**Law**

4/2008), modified the regime on information reporting obligations, the Spanish General Directorate for Taxation holds the criteria (binding rulings V0077-09 and V0078-09 issued on January 20, 2009) that, in order to benefit from withholding tax exemption on interest payments in respect of the Notes, non-Spanish tax residents must continue to fulfill the information reporting procedures established under Section 44 of the Spanish Royal Decree 1065/2007. Therefore, Beneficial Owners in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with procedures described herein will receive payments net of Spanish withholding tax, currently at the rate of 19 per cent. Neither the Issuer nor the Guarantor will pay additional amounts in respect of any such withholding tax in any of the above cases (see General Condition 7 of the Notes and “Taxation”).

Offers into Spain are not permitted except in certain limited circumstances, as indicated under “Subscription and Sale and Transfer and Selling restrictions”, below. However, in the case of notes which are admitted to listing and trading on a listing authority, stock exchange and/or quotation system of an OECD country other than Spain, the Spanish tax authorities may determine that the exemption from withholding tax on payments to holders who are tax payers of Spanish Corporation Tax (as described in Taxation - Individual or Entities with tax residency In Spain) does not apply to such Notes. If such a determination was made, the Issuer and, as the case may be, the Guarantor would be required to make a withholding at the applicable rate (at the date of the Offering Circular 19 per cent.) on payments of interest under the Notes and no additional amounts would be payable by the issuer or the Guarantor in such circumstances pursuant to General Condition 7.

Euroclear and Clearstream, Luxembourg (each a **European Clearing System**) and Iberclear have arranged certain procedures to facilitate the relevant Issuer, the Guarantor and the Principal Paying Agent in the collection of the details referred to above from holders of the Notes. If any European Clearing System and/or Iberclear is/are, in the future, unable to facilitate the collection of such information, it may decline to allow any or all Series of the Notes to be cleared through such European Clearing System or Iberclear (as the case may be) and this may affect the liquidity of such Notes. Provisions have been made for the Certificated Notes, in such a case, to be represented by definitive Notes (see “*Form of the Notes*”). The procedures agreed and described in the Agency Agreement may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the European Clearing Systems and Iberclear. The Guarantor and the relevant Issuer may from time to time, at their discretion, appoint an agent to intermeditate with the European Clearing System and/or Iberclear in the provision of such information. Details of any such appointment will be set out in the applicable Final Terms.

The procedure described in this Base Prospectus for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the European Clearing Systems and/or Iberclear as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes. None of the Issuer, the Guarantor, the Dealers, the Paying Agents, the European Clearing Systems or Iberclear assume any responsibility therefore.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories

including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On September 15, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On November 13, 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on April 24, 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Meetings of Noteholders

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The conditions of the Notes (except General Condition 3 and General Condition 14) are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Spanish and English law or administrative practice after the date of this Base Prospectus.

Eurosystem Eligibility

There may be an intention (which, if applicable, will be specified in the applicable Final Terms) for certain Notes to be held in a manner which will allow Eurosystem eligibility. This simply means that such Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

No claim against any Reference Item

A Note will not represent a claim against any Reference Item and, in the event of any loss, a Holder will not have recourse under a Note to any Reference Item.

Modification and Waivers

The Conditions provide that the Principal Paying Agent, the Issuer and the Guarantor may, without the consent of Noteholders, agree to (i) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders or (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal,

minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law in the jurisdictions in which the Issuer or the Guarantor are incorporated.

Additional risk factors relating to the Notes generally

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

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are lawful investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Investors may lose the original invested amount

Investors may lose up to the entire value of their investment in the Notes as a result of the occurrence of any one or more of the following events:

- (a) the Issuer and the Guarantor of the Notes are subject to insolvency proceedings or some other event impairing the ability of each to meet its obligations under the Notes;
- (b) the terms of the relevant Notes do not provide for full repayment of the initial purchase price upon final maturity and/or mandatory early redemption of such Notes and, in the case of Reference Item Linked Notes, the relevant Reference Item(s) perform in such a manner that the final redemption amount and/or mandatory early redemption amount is less than the initial purchase price;
- (c) the purchaser seeks to sell the relevant Notes prior to their scheduled maturity, and the sale price of the Notes in the secondary market is less than the purchaser's initial investment; and
- (d) the Notes are subject to certain adjustments in accordance with the terms and conditions of such Notes that may result in the scheduled amount to be paid upon redemption being reduced to an amount less than a purchaser's initial investment.

The Notes may be redeemed prior to their scheduled maturity.

In the event that the Issuer would be required to pay additional amounts in respect of any Notes due to any withholding, as provided in General Condition 6.2 of the Terms and Conditions of the Notes, the Issuer may redeem all of the Notes then outstanding in accordance with the Terms and Conditions of the Notes.

In the event that one or more Events of Default (as defined at General Condition 9) occur, the Notes may become immediately due and repayable at their Early Redemption Amount. Reference Item Linked Notes are subject to further provisions which may result in the early redemption of the Notes on the occurrence of certain specified circumstances or events. Such provisions will stipulate whether such early redemption is automatic or is at the option of the Issuer.

Events in which Notes will be automatically redeemed include, in the case of an Index Linked Note, Equity Linked Note, Commodity Linked Note, Fund Linked Note or a Custom Index Linked Note, if Automatic Early Redemption Event is specified as being applicable in the applicable Final Terms, the occurrence of an Automatic Early Redemption Event. In this case the Notes will be automatically redeemed at their Automatic Early Redemption Amount.

Other circumstances in which the Notes may be early redeemed include:

- in the case of an Index Linked Note, Equity Linked Note or Custom Index Linked Note, and where Delayed Redemption on the Occurrence of Additional Disruption Event is not specified in the applicable Final Terms, the occurrence of an Additional Disruption Event;
- in the case of a Fund Linked Note, unless otherwise specified in the Final Terms, the occurrence of an Extraordinary Fund Event in circumstances where (i) a Substitution Event has occurred and it is impossible or not reasonably practicable to effect a Substitution or (ii) a Termination Event has occurred. In such circumstances, subject as provided in Fund Linked Condition 7, the Calculation Agent will redeem the Notes by payment of the Termination Amount on the relevant Termination Date;
- in the case of an Inflation Linked Note or a Commodity Linked Note, the occurrence of an Additional Disruption Event in circumstances where the Issuer determines that an adjustment to the relevant terms of the Notes to account for such Additional Disruption Event would not be appropriate for any reason;
- in the case of a Credit Linked Note, if Merger Event is specified as being applicable in the applicable Final Terms, the occurrence of a Merger Event;
- in the case of Equity Linked Notes relating to a Basket of Shares, the occurrence of an Extraordinary Event, in which case the relevant Shares may be early redeemed in whole or in part;
- in the case of an Inflation Linked Note, (i) if the Calculation Agent determines that the relevant Index has been or will be rebased at any time, and the Calculation Agent determines that certain further conditions are not met and (ii) on the occurrence of an Index Cancellation;
- in the case of a Commodity Linked Note,
 - where Delayed Redemption on Occurrence of Market Disruption Event is not specified in the applicable Final Terms, if there is in existence either (i) a Disappearance of Commodity Reference Price, (ii) a Material Change in Formula, or (iii) a Material Change in Content; and
 - where the Calculation Agent determines in good faith that a Tax Disruption has occurred or exists in respect of a Pricing Date, that such Tax Disruption has a material effect on the Notes and that no adjustments can be made to the terms and conditions of the Notes in respect of such Tax Disruption; and
- in the case of a Custom Index Linked Note, in certain specified circumstances following the occurrence of a Custom Index Adjustment Event which is determined by the Calculation Agent

to have a material effect on the Notes, and where Delayed Redemption on Occurrence of Custom Index Adjustment Event is not specified as being applicable in the applicable Final Terms, the Calculation Agent may require the Issuer to redeem the Notes early.

The Final Terms for a particular issue of Notes may provide for early redemption at the option of the Issuer. Such right of termination is often provided for notes in periods of high interest rates. If the market interest rates decrease, the risk to Noteholders that the Issuer will exercise its right of termination increases. As a consequence, the yields received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. As a consequence, the Noteholder may not receive the total amount of the capital invested. In addition, investors that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower, and possibly significantly lower, yield than the redeemed Notes. An optional redemption feature of Notes is also likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The secondary market generally

Although all Notes will be listed, there may be no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks which are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

If a secondary market were to develop, it is not possible to predict the price at which Notes will trade. The Notes could trade at prices that may be higher or lower than the relevant initial issue price and this may result in a return that is greater or less than the interest or other additional amounts payable in respect of the Notes, depending on many factors, including:

- the Group's financial results;
- any change in the Issuer's or the Guarantor's creditworthiness;
- the market for similar securities or instruments
- the performance and volatility of the Reference item applicable to any Notes issued under the Programme;
- the method of calculating the principal, premium (of any), interest (if any) and other amounts payable in respect of the Notes;
- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;

- the redemption features of the Notes; and
- the level, direction and volatility of market interest rates generally.

Neither the Issuer nor any BBVA affiliate is under any obligation, and none of the Issuer, Guarantor, or any BBVA affiliate makes any commitment to make market in or to repurchase the Notes. If the Issuer, Guarantor or any BBVA affiliate does make a market for the securities, it may cease to do so at any time without notice

There may be price discrepancies with respect to the Notes as between various dealers or other purchasers in the secondary market

If at any time a third party dealer quotes a price to purchase Notes or otherwise values Notes, that price may be significantly different (higher or lower) from any price quoted by any BBVA affiliate. Furthermore, if any Noteholder sells their Notes, the Noteholder will likely be charged a commission for secondary market transactions, or the price may reflect a dealer discount.

The Issue Price of the Notes may be more than the market value of such Notes as at the Issue Date and the price of the Notes in secondary market transactions

The Issue Price in respect of any Notes specified in the relevant Final Terms may be more than the market value of such Notes as at the Issue Date, and more than the price, if any, at which the Dealer or any other person is willing to purchase such Notes in secondary market transactions. In particular, the Issue Price in respect of any Notes may take into account amounts with respect to commissions relating to the issue and sale of such Notes and amounts relating to the hedging of the Issuer's obligations under such Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

A credit rating reduction may result in a reduction in the trading value of Notes

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the creditworthiness of the Issuer. Such perceptions are generally influenced by the ratings accorded to the outstanding Notes of the Issuer by standard statistical rating services, such as Moody's Investors Service Limited (**Moody's**), Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. (**Standard & Poor's**) and Fitch Ratings Ltd. (**Fitch**). One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all the risks related to the structure, market and additional factors discussed above, and other factors may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A reduction in, or a placing on credit watch of the rating, if any, accorded to outstanding debt securities of the Issuer by one of these or by other rating agencies could result in a reduction in the trading value of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency

unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by the economic and market conditions, interest rates, currency exchange rates and inflation rates in Europe and other industrialised countries and areas. There can be no assurance that events in Spain, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect. Investors should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Base Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes at that time.

A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes

Payments of interest on the Notes, or profits realised by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on an individual Noteholder in respect of any Notes may differ also in respect of Reference Item Linked Notes. BBVA advises all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

Post-issuance Information

Applicable Final Terms may specify that the Issuer will not provide post-issuance information if not otherwise required by all applicable laws and regulations. In such an event, investors will not be entitled to obtain such information from the Issuer.

Additional Risk Factors related to the structure of a particular issue of Notes

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

Partly-paid Notes

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

Fixed Rate Notes

Investors in Fixed Rate Notes are exposed to the risk that subsequent changes in interest rates may adversely affect the value of the Notes.

Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Issuer's ability to issue Fixed Rate Notes may affect the market value and secondary market (if any) of the Floating Rate Notes (and vice versa).

Zero coupon notes are subject to higher price fluctuations than non-discounted notes.

Changes in market interest rates generally have a substantially stronger impact on the prices of zero coupon notes than on the prices of ordinary notes because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon notes can suffer higher price losses than other notes having the same maturity and credit rating.

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase

in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

Dual Currency Notes

Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macro economic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). In recent years, rates of exchange between some currencies have been volatile. This volatility may be expected in the future. Fluctuations that have occurred in any particular exchange rate in the past are not necessarily indicative, however, of fluctuation that may occur in the rate during the term of any Note. Fluctuations in exchange rates will affect the value of the Notes.

4. Risk Factors that are generic to Reference Item Linked Notes

An investment in Reference Item Linked Notes may entail significant risks not associated with investments in a conventional debt security.

Reference Item Linked Notes are securities which do not provide for predetermined redemption amounts and/or interest payments but amounts payable (whether in respect of principal and/or interest) will be dependent upon the performance of the Reference Item(s) which themselves may contain substantial credit, interest rate, foreign exchange, correlation, time value, political and/or other risks.

An investment in Reference Item Linked Notes therefore entails significant risks that are not associated with similar investments in a conventional fixed rate or floating rate debt security. These risks include, among other things, the possibility that:

- the Reference Item(s) may be subject to significant changes, whether due to the composition of any such Reference Item(s) itself, or because of fluctuations in the value of the Reference Item;
- the resulting interest rate will be less (or may be more) than that payable on a conventional debt security issued by the Issuer at the same time, or they may receive no interest;

- the holder of a Reference Item Linked Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on such Note;
- any Note that is linked to more than one type of Reference Item or to a formula or formulae that encompass the risks associated with more than one type of Reference Item, may carry levels of risk that are greater than those for Notes that are linked to one type of Reference Item only;
- the timing of changes in the value or level of a Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Reference Item, the greater the effect on yield;
- it may not be possible for investors to hedge their exposure to these various risks relating to Reference Item Linked Notes;
- the historical performance of a Reference Item should not be viewed as an indication of the future performance of such Reference Item during the term of any Reference Item Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Reference Item Linked Notes and the suitability of such Notes in light of its particular circumstances, and
- a significant market disruption could mean that any Reference Item(s) cease to exist.

The risks reflect the nature of such a Note as an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it expires or is redeemed. The risk of the loss of some or all of the purchase price of a Reference Item Linked Note upon redemption means that, in order to recover and realise a return upon his or her investment, a purchaser of such Note must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item. Assuming all other factors are held constant, the lower the value of a Reference Item Linked Note and the shorter the remaining term of any such Note to redemption, the greater the risk that holders of such Notes will lose all or part of their investment.

PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) (IF ANY) ARE AND TO SEE HOW THE FINAL REDEMPTION AMOUNT AND ANY PERIODIC INTEREST PAYMENTS ARE DETERMINED AND WHEN SUCH AMOUNTS ARE PAYABLE BEFORE MAKING ANY DECISION TO PURCHASE ANY NOTES.

It may not be possible to use the Notes as a perfect hedge against the market risk associated with investing in a Reference Item

Potential purchasers intending to purchase Notes to hedge against the market risk associated with investing in a Reference Item should recognise the complexities of utilising Notes in this manner. For example, the value of the Notes may not exactly match the value of the Reference Item. Due to fluctuating supply and demand for the Notes, there is no assurance that their value will match movements in the value of the Reference Item. For these reasons, among others, it may not be possible to purchase or liquidate Notes in a portfolio at the prices used to calculate the value of any Reference Item.

Risks to market price of Reference Item Linked Notes

In addition, the value of Reference Item Linked Notes on the secondary market is subject to greater levels of risk than is the value of other Notes and the market price of such Notes may be very volatile or there may even be no (or very limited) secondary market at all. The secondary market, if any, for Reference Item Linked Notes will be affected by a number of factors, independent of the

creditworthiness of the Issuer, the creditworthiness of any reference entity, the value of the applicable Reference Item (including the volatility of the Reference Item), the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable Reference Item depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer has no control.

Additionally, if the formula used to determine the amount of principal, premium and/or interest payable with respect to Reference Item Linked Notes contains a Weight or leverage factor, the effect of any change in the Reference Item(s) will be increased.

Regulatory risk for Reference Item Linked Notes

There may be regulatory and other ramifications associated with the ownership by certain investors of certain Reference Item Linked Notes.

The Bank and its affiliates do not provide any advice with respect to any Reference Item(s) nor make any representation as to its quality, credit or otherwise, and investors in the Notes must rely on their own sources of analysis or credit analysis with respect to any Reference Item.

Market Disruption Events or Failure to Open of an Exchange

If an issue of Reference Item Linked Notes includes provisions dealing with the occurrence of a Market Disruption Event or failure to open of an exchange on a Valuation Date and the Calculation Agent determines that a Market Disruption Event or failure to open of an exchange has occurred or exists on such date, any consequential postponement of the Valuation Date or any alternative provisions for valuation provided in any such Notes may have an adverse effect on the value and liquidity of such Notes. The timing of such dates (as scheduled or as so postponed or adjusted) may affect the value of the relevant Notes such that the Noteholder may receive a lower cash redemption amount and/or interest amount or other payment under the relevant Notes than otherwise would have been the case. The occurrence of such a Market Disruption Event or failure to open of an exchange in relation to any Reference Item(s) comprising a basket may also have such an adverse effect on Notes related to such basket. In addition, any such consequential postponement may result in the postponement of the date of redemption of the Notes.

Potential Conflicts of Interest

BBVA and its affiliates may engage in trading activities (including hedging activities) related to any Reference Item(s) and other instruments or derivative products based on or related to the Reference Item(s) of any such Notes for their proprietary accounts or for other accounts under their management and may pursue actions thereto without regard to the consequences for Noteholders. BBVA and its affiliates may also issue other derivative instruments in respect of the Reference Item(s) of such Notes. BBVA and its affiliates may also act as an underwriter in connection with future offerings of a Reference Item(s) or may act as financial adviser to the issuer, sponsor, manager or other connected person in respect of a Reference Item(s) or a constituent of a Reference Item(s) or in a commercial banking capacity for such entity. BBVA or its affiliates may acquire non-public information in respect of a Reference Item(s) which will not be provided to Noteholders. Such activities could present certain conflicts of interest or, could influence the prices of such Reference Item(s) and could adversely affect the value of such Notes.

Because the Calculation Agent may be an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgments that the Calculation Agent must make, including whether a Market Disruption Event,

or a Settlement Disruption Event has occurred. The Calculation Agent is obliged to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

Conducting Hedging Transactions

The Issuer may use all or some of the proceeds received from the sale of Notes to enter into hedging transactions. The Issuer believes that such hedging activity will under normal circumstances not have a material impact on the value of the relevant Notes. However, it cannot be assured that the Issuer's hedging activities will not affect such value. The value of Notes might in particular be affected by the liquidation of all or a portion of the relevant hedging positions (a) at or about the time of the maturity or expiration of such Notes or (b), if such Notes provide for a knock-out, knock-in or a similar feature, at the time when the price or value of the relevant Reference Item approaches the relevant price or level for the knock-out, knock-in or other feature. See further *Knock-in and Knock-out provisions* below.

Risk of Leveraged Exposure

Leverage involves the use of a number of financial techniques to increase the exposure to a Reference Item, and can therefore magnify both returns and losses. While the use of leverage allows for potential multiples of a return (assuming a return is achieved) when the Reference Item moves in the anticipated direction, it will conversely magnify losses when the Reference Item moves against expectations. If the relevant Notes include leverage, potential holders of such Notes should note that these Notes will involve a higher level of risk, and that whenever there are losses such losses will be higher (other things being equal) than those of a similar Note which is not leveraged. Investors should therefore only invest in leveraged Notes if they fully understand the effect of leverage.

Limited Exposure to Reference Items(s)

If the applicable Final Terms provide that the exposure of any Reference Item Linked Notes to one or more Reference Items is limited or capped to a certain level or amount, such Notes will not benefit from any upside in the value of any such Reference Item(s) beyond such limit or cap.

The amount payable on redemption may be significantly less than the value of an investment in the Notes

The amount payable on redemption may be significantly less than the value of the Noteholder's investment in such Notes. In particular, in the case of any such Notes exposed to the performance of a basket of Reference Items, the amount payable on redemption may be calculated by reference to, the worst performing Reference Items or any other formula specified in the applicable Final Terms.

Claims against Reference Item(s)

Reference Item Linked Notes do not represent a claim against or an investment in any Reference Item(s) (or any issuer, sponsor, manager or other connected person in respect of a Reference Item) and Noteholders will not have any right of recourse under the Notes to any such Reference Item(s) (or any issuer, sponsor, manager or other connected person in respect of a Reference Item). For the avoidance of doubt, the relevant Reference Item(s) will not be held by the Issuer for the benefit of the purchasers of such Notes, and as such, purchasers will not obtain any rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any Reference Item referenced by such Notes. No BBVA affiliate is under any obligation whatsoever to acquire and hold any Reference Item. The Notes are not in any way sponsored, endorsed or promoted by any Reference Item(s) (or any issuer, sponsor, manager or other connected person in respect of a Reference Item) and such entities have no obligation to take into account the consequences of their actions for any Noteholders.

Knock-in and Knock-out provisions

Notes may include one or more of the following features:

- **Knock-in**

A knock-in event occurs when the price or level of the Reference Item(s) reaches or breaches a pre-defined barrier on the relevant observation date(s) or during the relevant observation period(s), which may trigger a certain payout on maturity and/or interim payment(s).

- **Knock-out**

A knock-out event occurs when the price or level of the Reference Item (s) reaches or breaches a pre-defined barrier, which may mean certain payouts on maturity and/or interim payment(s) are not made.

Prospective investors should note that the attainment of the applicable barriers triggering Knock-in and/or Knock-out provisions cannot be predicted or guaranteed.

Observation Risk

Where the applicable Final Terms contain Observation provisions relating to Knock-in and/or Knock-out provisions there may be continuous observation of one or more underlying prices. Therefore price movements at any time in the relevant period may trigger adverse consequences under the notes.

Risks relating to Automatic Early Redemption provisions

Certain Notes contain Automatic Early Redemption provisions. These provisions require that Notes are automatically early redeemed when particular conditions are fulfilled. Investors should note that the fulfilment of these conditions (and consequently payments under the Notes) cannot be predicted or guaranteed.

Substitution Risk

Investors should be aware of the risks attached to the Substitution provisions contained in certain Notes. Such provisions may permit the Calculation Agent to substitute an affected Reference Item in the case of disruption. This allows the Calculation Agent a wide discretion. This wide discretion carries the risk of uncertainty. In particular, investors should note that there is no guarantee that the substituted Reference Item will perform more favourably for investors than the original underlying. Likewise, Investors cannot predict which Reference Item(s) will be substituted.

5. **Risk Factors associated with Notes that are linked to one or more specific categories of Reference Item**

There are certain factors which are material for the purpose of assessing the risks associated with an investment in Notes issued under the Programme. Such factors will vary depending on the type of Notes issued, in particular in relation to Notes in respect of which the interest and/or redemption amount is linked to the value of one or more index, share, inflation index, commodity, unit, interest or share in a fund, the credit of one or more reference entity, custom index, foreign exchange rate or the combination of any of the foregoing or such other underlying or basis of reference.

Risks relating to Index Linked Notes

The Issuer may issue Notes where the Final Redemption Amount or the amount of principal and/or interest payable is dependent upon the level of an index or indices (**Index Linked Notes**).

Potential investors in any such Notes should be aware that depending on the terms of the Index Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment if the value of the index/indices does not move in the anticipated direction. In addition, the movements in the level of the index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the level of an index or result of a formula, the greater the effect on yield.

If the Final Redemption Amount or the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the index or the indices on principal or interest payable will be magnified.

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the level of the index or indices. The level of the index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the index or indices may be traded. The index may reference equities, bonds or other securities, or it may be a property index referencing certain property price data which will be subject to market price fluctuations. A property index may include valuations only and not actual transactions and the property data sources used to compile the index may be subject to change, which may adversely affect the return on the Notes.

Adjustment to indices for Index Linked Notes

If an index adjustment event (as described in the Terms and Conditions of the Notes) occurs the Issuer may require the Calculation Agent to make such adjustments as it determines appropriate to the terms of the Notes or redeem the Notes. Such action may have an adverse effect on the value and liquidity of the affected Reference Item Linked Notes. Prospective purchasers should review the relevant terms and conditions of the Notes and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

Returns on the Notes do not reflect direct investment in underlying shares or other assets comprising the index

The return payable on Notes that reference indices may not reflect the return a purchaser would realise if the Noteholder actually owned the relevant assets comprising the components of the index. For example, if the components of the indices are shares, Noteholders will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant index takes such dividends into account for purposes of calculating the relevant level. Similarly, Noteholders will not have any voting rights in the underlying shares or any other assets which may comprise the components of the relevant index. Accordingly, purchasers in Notes that reference indices as Reference Items may receive a lower payment upon redemption of such Notes than such purchaser would have received if the Noteholder had invested in the components of the index directly.

A change in the composition or discontinuance of an index could adversely affect the market value of the Notes

The sponsor of any index can add, delete or substitute the components of such index or make other methodological changes that could change the level of one or more components. The changing of components of any index may affect the level of such index as a newly added component may perform significantly worse or better than the company it replaces, which in turn may affect the payments made by the issuer to the purchasers of the Notes. The sponsor of any such index may also

alter, discontinue or suspend calculation or dissemination of such index. The sponsor of an index will have no involvement in the offer and sale of the Notes and will have no obligation to any purchaser of such Notes. The sponsor of an index may take any actions in respect of such index without regard to the interests of the purchasers of the Notes, and any of these actions could adversely affect the market value of the Notes.

The Guarantor or an affiliate of the Guarantor may be the sponsor of an Index which is referenced by an Index Linked Note

The Guarantor proprietary index will generally be developed, owned, calculated and maintained by the Guarantor or an affiliate of the Guarantor, which would be responsible for the composition, calculation and maintenance of such index. In such circumstances, the index sponsor would be under no obligation to take into account the interests of the Noteholders of any Notes referenced by such index. In such capacity as index sponsor, the Guarantor will have the authority to make determinations that could materially and adversely affect the value of the Note.

Risks relating to Equity Linked Notes

The Issuer may issue Equity Linked Notes where the Final Redemption Amount or the amount of interest payable are dependent upon the price of or changes in the price of shares or a basket of shares (**Equity Linked Notes**). Accordingly an investment in Equity Linked Notes may bear similar market risks to a direct equity investment and potential investors should take advice accordingly. An investment in Equity Linked Notes will entail significant risks not associated with a conventional debt security.

Potential investors in any such Notes should be aware that depending on the terms of the Equity Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment if the value of the share(s) does not move in the anticipated direction. In addition, the movements in the price of the share or basket of shares may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the share or shares may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price of the share or shares, the greater the effect on yield.

If the Final Redemption Amount or the amount of interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the share or shares on principal or interest payable will be magnified.

The market price of such Notes may be volatile and may be affected by the time remaining to the redemption date, the volatility of the share or shares, the dividend rate (if any) and the financial results and prospects of the issuer or issuers of the relevant share or shares as well as economic, financial and political events in one or more jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such shares may be traded.

A holder of the Equity Linked Notes will not be a beneficial owner of the underlying equity securities and therefore will not be entitled to receive any dividends or similar amounts paid on the underlying equity securities, nor will a Noteholder be entitled to purchase the underlying equity securities by virtue of their ownership of the Notes. Moreover, holders of the Notes will not be entitled to any voting rights or other control rights that holders of the underlying equity securities may have with respect to the issuer of such underlying equity securities. Unless otherwise specified in the applicable Final Terms, the Interest Amount and/or Final Redemption Amount will not reflect the payment of any dividends on the underlying equity securities. Accordingly, the return on the Notes will not reflect the return an investor would realise if it actually owned the underlying equity securities and received

dividends, if any, paid on those securities. Therefore, the yield to maturity based on the methodology for calculating the Final Redemption Amount will not be the same yield as would be produced if the underlying equity securities were purchased directly and held for a similar period.

Determinations made by the Calculation Agent in respect of Potential Adjustment Events, Extraordinary Events and Additional Disruption Events may have an adverse effect on the value of the Notes

Upon determining that a Potential Adjustment Event, Extraordinary Event or Additional Disruption Event has occurred in relation to an underlying share or the issuer of such underlying share, the Calculation Agent has broad discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Notes (including to substitute the affected Share) and/or (ii) (in the case of an Extraordinary Event or an Additional Disruption Event) cause early redemption of the Notes or cancel the Notes, linkage to the relevant equity(ies), any of which determinations may have an adverse effect on the value of the Notes.

Potential Adjustment Events include (a) a sub-division, consolidation or re-classification of the shares, (b) an extraordinary dividend, (c) a call of the shares that are not fully paid, (d) a repurchase by the issuer, or an affiliate thereof, of the shares, (e) a separation of rights from the shares or (f) any event having a dilutive or concentrative effect on the value of the shares. Extraordinary Events include (a) a delisting of the shares on an exchange, (b) an insolvency (where all the shares of the issuer of the underlying shares are transferred to a trustee, liquidator or similar official or may not be legally transferred) or bankruptcy of the issuer of the shares, (c) a merger event entailing the consolidation of the shares with those of another entity, (d) a nationalisation of the issuer of the shares or transfer of the shares to a governmental entity, or (e) a tender offer or takeover offer that results in transfer of the shares to another entity. Additional Disruption Events include (a) a change in applicable law since the Issue Date that makes it illegal to hold, acquire or dispose of the shares or more expensive for the Issuer to hedge its obligations under the relevant Notes or (b) if specified to be applicable in the relevant Final Terms, (i) an insolvency filing by or on behalf of the issuer of the underlying shares or (ii) Hedging Disruption.

Risks relating to Inflation Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable is dependent upon the level of an inflation index or indices (**Inflation Linked Notes**).

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

In certain circumstances following cessation of publication of the inflation index, the Calculation Agent may determine that there is no appropriate alternative inflation index, in which case the Issuer may redeem the Notes. Such action may have an effect on the value of the Notes.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the inflation index or the indices on principal or interest payable will be magnified.

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the level of the inflation index or indices. The level of the inflation index or indices may be affected by the economic, financial and political events in one or more jurisdictions or regions.

Risks Relating to Commodity Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon the price of or changes in the price of commodities and/or commodity indices or a basket of commodities and/or commodity indices (**Commodity Linked Notes**). Accordingly an investment in Commodity Linked Notes may bear similar market risks to a direct commodity investment and potential investors should take advice accordingly. An investment in Commodity Linked Notes will entail significant risks not associated with a conventional debt security.

Commodity Linked Redemption Notes may be redeemable by the Issuer by payment of the par value amount and/or by payment of an amount determined by reference to the value of one or more commodities and/or commodity indices. Interest payable on Commodity Linked Interest Notes may be calculated by reference to the value of one or more commodities and/or commodity indices.

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

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of a commodity and/or commodity index on principal or interest payable will be magnified.

The market price of such Notes may be volatile and may be affected by the time remaining to the redemption date and the volatility of the price of the commodity and/or commodity index. The price of commodities or level of a commodity index may be affected by economic, financial and political events in one or more jurisdictions or regions, including factors affecting the exchange(s) or quotation system(s) on which the relevant commodities or components of the commodity indices may be traded.

Commodity Linked Notes may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant commodity or commodities. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Notes and consequently adversely affect the value of the Notes. In addition certain extraordinary or disruption events may lead to early redemption of the Notes. Prospective investors should review the Commodity Linked Conditions and the applicable Final Terms to ascertain whether and how such provisions apply to the Note.

Adjustment to indices for Commodity Linked Notes

If an Index Adjustment Event (as described in Annex 4, Additional Terms and Conditions for Commodity Linked Notes) occurs the Issuer may require the Calculation Agent to make such adjustments as it determines appropriate to the terms of the Notes or redeem the Notes. Such action may have an adverse effect on the value and liquidity of the affected Reference Item Linked Notes.

Risks relating to Fund Linked Notes

The Issuer may issue Notes where the Final Redemption Amount or the amount of principal and/or interest payable are dependent upon the price or changes in the price of units, shares or interests in a fund or funds (including exchange traded fund(s)) (**Fund Linked Notes**). Accordingly, an investment in Fund Linked Notes may bear similar market risks to a direct fund investment and potential investors should take advice accordingly. An investment in Fund Linked Notes will entail significant risks not associated with a conventional debt security.

Prospective investors in any such Notes should be aware that depending on the terms of the Fund Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment if the value of the fund share(s) or unit(s) does not move in the anticipated direction. In addition, the movements in the price of units, shares or interests in the fund or funds may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the units or shares in the fund or funds may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price or prices of the units, shares or interests in the fund or funds, the greater the effect on yield. Prospective investors should also be aware that in the event of the occurrence of one or more Extraordinary Fund Events the Issuer may take the action specified in the applicable Final Terms which may include adjusting or redeeming the Notes or substituting the affected share, unit or interest in the relevant fund.

In the event that redemption proceeds in respect of the underlying Fund Shares are not received by the hedge provider on or prior to the scheduled redemption date or termination date, such date may be postponed for a period of up to two calendar years (or such other period as may be specified in the applicable Final Terms) and no additional amount shall be payable as a result of such delay.

If the Final Redemption Amount or the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the units or shares of the fund or funds on principal or interest payable will be magnified.

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date or settlement date (as applicable) and the volatility of the price of unit(s), fund shares or interests in the fund or funds. The price of units, fund shares or interests in a fund may be affected by the economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any units, shares or interests in the fund or funds may be traded.

Prospective investors should review carefully the prospectus, information memorandum and/or offering circular (if any) issued by any relevant fund before purchasing any Notes. None of the Issuer, any Affiliate of the Issuer or the Calculation Agent make any representation as to the creditworthiness of or advisability of an investment in relation to any relevant fund or any such fund's administrative, custodian, investment manager or adviser.

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

Funds may trade and invest in a broad range of investments such as debt and equity securities, commodities or commodity indices and foreign exchange and may enter into derivative transactions, including, without limitation, futures and options. Funds may often be illiquid and may only be traded on a monthly, quarterly or even less frequent basis. The trading strategies of funds are often opaque.

Funds, as well as the markets and instruments in which they invest, are often not subject to review by governmental authorities, self-regulatory organisations or other supervisory authorities.

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

Further risks associated with Funds in General

The risks below are common to all kinds of funds and are not specific to the underlying Fund. These risks include:

- (a) the risk that the share price of one or more of the assets in the underlying Fund's portfolio will fall, or will fail to rise. Many factors can adversely affect an asset's performance, including both general financial market conditions and factors related to a specific asset or asset class;
- (b) general macro-economic or asset class specific factors, including interest rates, rates of inflation, financial instability, lack of timely or reliable financial information or unfavourable political or legal developments;
- (c) asset allocation policies of the Fund Manager;
- (d) credit quality and the risk of default of one of the hedge funds or of assets generally held in the underlying Fund;
- (e) the risk that the underlying Fund's investment objectives and/or investment restrictions as set out in its constitutive documents are materially changed, or not complied with, or that the method of calculating the Net Asset Value is materially changed;
- (f) the risk that the underlying Fund is liquidated, dissolved or otherwise ceases to exist or it or its Fund Manager is subject to a proceeding under any applicable bankruptcy, insolvency or other similar law; or
- (g) the risk that the underlying Fund is subject to a fraudulent event.

Further risks associated with Fund Managers in General

The price of unit(s) as fund share(s) may be affected by the performance of the fund service providers, and in particular the fund manager.

Prospective investors in the Notes should be aware that the Fund Manager will manage the underlying Fund in accordance with the investment objectives of, and guidelines applicable to, the underlying Fund. Furthermore, the arrangements between the Fund Manager and the underlying Fund have, in most cases, not been negotiated at arm's length and it is unlikely that the Fund Manager will be replaced or that additional fund managers will be retained.

Neither the Issuer nor any of its affiliates have the ability to control or predict the actions of the Fund Manager. The Fund Manager is not involved in the offer of the Notes in any way and has no obligation to consider the interests of the Noteholders in taking any corporate actions that might affect the value of the Notes.

The Issuer has no role in the underlying Fund. The Fund Manager is responsible for making strategic, investment and other trading decisions with respect to the management of the underlying Fund,

consistent with its investment objectives and/or investment restrictions as set out in its constitutive documents. The manner in which an underlying Fund is managed and the timing of such decisions will have a significant impact on the performance of the underlying Fund. Hence, the price which is used to calculate the performance of the underlying Fund is also subject to these risks.

Risks relating to Credit Linked Notes

General risks relating to Credit Linked Notes

The Issuer may issue Credit Linked Notes where the amount payable is dependent upon whether certain events (**Credit Events**) have occurred in respect of one or more Reference Entity/Entities and, if so, on the value of certain specified assets of such Reference Entity/Entities. All Credit Linked Notes issued under the Programme will be cash settled.

Prospective investors in any such Credit Linked Notes should be aware that depending on the terms of the Credit Linked Notes (i) they may receive no or a limited amount of interest (or other periodic payments), (ii) payments may occur at a different time than expected and (iii) except in the case of Notes which are principally protected at maturity, they may lose all or a substantial portion of their investment.

The market price of Credit Linked Notes may be volatile and will be affected by, amongst other things, the time remaining to the redemption date prevailing credit spreads and the creditworthiness of the relevant Reference Entity which in turn may be affected by the economic, financial and political events in one or more jurisdictions. In the event of early redemption of Credit Linked Notes following the occurrence of a Credit Event, the Credit Linked Notes will either (i) cease to bear interest from the Interest Payment Date immediately preceding the Credit Event Determination Date if "Accrual of Interest upon Credit Event" is specified as Not Applicable in the applicable Final Terms, or (ii) cease to bear interest from the Credit Event Determination Date if "Accrual of Interest upon Credit Event" is specified as being Applicable in the applicable Final Terms.

The Issuer, the Guarantor, the Dealer(s) or any of their respective affiliates may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Reference Entity/Entities that they may not disclose. Prospective investors must therefore make an investment decision based upon their own due diligence and purchase the Credit Linked Notes in the knowledge that non-public information which the Issuer, the Guarantor, the Dealer(s) or any of their respective affiliates may have will not be disclosed to investors. None of the Issuer, the Guarantor, the Dealer(s) or any of their respective affiliates is under any obligation (i) to review on the Noteholders' behalf, the business, financial conditions, prospects, creditworthiness, status or affairs of the Reference Entity/Entities or conduct any investigation or due diligence into the Reference Entity/Entities or (ii) other than as may be required by applicable rules and regulations relating to the Notes, to make available (a) any information relating to the Notes or (b) any non-public information they may possess in respect of the Reference Entity/Entities.

Certain Credit Linked Notes may be highly leveraged instruments, including without limitation (i) Credit Linked Notes linked to a notional amount of Reference Entities or Reference Obligations exceeding the Calculation Amount or Issue Price of the Credit Linked Notes, as applicable, or (ii) Credit Linked Notes linked to the first-to-default reference entity within a reference portfolio (or similar arrangements over a reference portfolio). The use of leverage is a speculative investment technique designed to enhance returns. However, such technique will also magnify the adverse impacts of a Credit Event.

In the event that the Calculation Agent is unable to identify a Substitute Reference Obligation prior to the Extension Date, and if so specified in the applicable Final Terms:

- (i) the Issuer shall have the right on or after the Extension Date to redeem the Credit Linked Notes, as applicable, at their fair market value by notice to the Noteholders of the relevant Notes; or
- (ii) the obligations of the Issuer under the Notes shall cease as of the end of the day on the Extension Date.

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

2003 ISDA Credit Derivatives Definitions

While there are many similarities between the terms used in this Base Prospectus (in particular, in the Additional Terms and Conditions for Credit Linked Notes) and the terms used in the 2003 ISDA Credit Derivative Definitions, as supplemented from time to time (the **Credit Derivatives Definitions**), there are a number of substantial differences. In particular, the Issuer and the Guarantor have determined the certain provisions of the Credit Derivatives Definitions, which are intended for use by market participants in "over the counter" transactions, require amendment when incorporated in the terms of an offering of securities such as the Credit Linked Notes. Therefore, a prospective investor should understand that the complete terms and conditions of the Credit Linked Notes are as set out in this Base Prospectus and the applicable Final Terms and that the Credit Derivative Definitions are not incorporated by reference herein. Consequently, investing in Credit Linked Notes is not necessarily equivalent to investing a credit default swap that incorporates the Credit Derivatives Definitions.

While ISDA has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit derivatives market, the credit derivatives market has evolved over time and is expected to continue to change. Consequently, the Credit Derivatives Definitions and the terms applied to credit derivatives, including Credit Linked Notes are subject to further evolution. Past events have shown that the view of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution of the market, the Credit Linked Notes may not conform to future market standards. Such a result may have a negative impact on the Credit Linked Notes.

There can be no assurances that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer, the Guarantor or the Noteholders. Future amendment or supplements to the terms applicable to credit derivatives generally will only apply to Credit Linked Notes that have already been issued if the Issuer and the Noteholders agree to amend such Credit Linked Notes to incorporate such amendments or supplements and other conditions to amending the Credit Linked Notes have been met.

Amendment of Credit Linked Conditions in accordance with market convention

The Calculation Agent may from time to time amend any provision of the Additional Terms and Conditions for Credit Linked Notes to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary to reflect or govern market practice for credit derivative transactions.

Cheapest to deliver

Following a Credit Event Determination Date, subject to Auction Settlement procedures, if applicable, the Issuer is entitled to select an Obligation for valuation which has the lowest value in the market at the relevant time, provided such obligation satisfies certain specifications and limits for qualification as a Deliverable Obligation or Obligation (as the case may be).

Increase of risk due to the replacement of a Reference Entity or succession

Reference Entities may be replaced due to events beyond the control of the Issuer, such as the merger of a corporate entity with another entity, in which case the Reference Entity may be replaced by its successor. Each such replacement may result in an increase in the risks involved for the Noteholders.

Concentration risks in case of Credit Linked Notes referring to a portfolio of Reference Entities

The probability of the occurrence of Credit Events with respect to the Reference Entities in a portfolio may depend on the degree of diversification among the Reference Entities. The composition of the portfolio of Reference Entities may change after the Issue Date. Such change may result in an increase of concentration among the Reference Entities and therefore also in an increase in the risks associated with such concentration.

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

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

Risks relating to Auction Settlement of Credit Linked Notes

Auction Settlement

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

Auction Final Price and the Issuer's and/or the Guarantor's ability to influence the Auction Final Price

If the Credit Linked Notes are redeemed following the occurrence of a Credit Event, the amount payable in respect of the Notes may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the applicable Transaction Auction Settlement Terms. There is a possibility that the Issuer, the Guarantor or the Calculation Agent (or one of their affiliates) would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant Deliverable Obligations. In deciding whether to take any such action (or whether to act as a

participating bidder in any auction), the Issuer, the Guarantor or the Calculation Agent (or any Affiliate of any of them) shall be under no obligation to consider the interests of any Noteholder.

Role of the Credit Derivatives Determinations Committee

Credit Derivative Determinations Committees were established pursuant to the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions (published on 12 March 2009) to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. In respect of a Credit Event relating to a Credit Linked Note, prospective purchasers should note that the Credit Derivatives Determinations Committee has the power to make binding decisions on critical issues such as whether a Credit Event has occurred, which obligations are to be valued and whether an auction should take place in accordance with and as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof. Consequently, payments on the Credit Linked Notes and the timing of any such payments may be affected by any such relevant decisions if Auction Settlement is specified as the applicable Settlement Method for a series of Notes in the relevant Final Terms.

Credit Event and Succession Event Backstop Dates

In respect of a Credit Event relating to a series of Credit Linked Notes, a Credit Event may not be triggered unless a request is submitted to ISDA for the relevant Credit Derivatives Determinations Committee to consider whether the relevant event constitutes a Credit Event within 60 calendar days of the occurrence of such potential Credit Event unless a Credit Event Determination Date has already occurred with respect to such event. For Succession Events the look-back period is 90 calendar days and functions similarly. These provisions mean that there is a time limit on the ability to act on a Credit Event or Succession Event and that it is possible that the Credit Linked Notes could be affected by a Credit Event or Succession Event that took place prior to the Trade Date.

Settlement Suspension, Adjustments and Interest Provisions

If, following the determination of a Credit Event Determination Date in accordance with subparagraph (a) of the definition of Credit Event Determination Date but prior to the Credit Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to determine the occurrence of a Credit Event have been satisfied, the Calculation Agent may at its option determine that the applicable timing requirements of the Credit Linked Conditions and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other Credit Linked Condition as determined by the Calculation Agent shall toll and be suspended and remain suspended (such period of suspension, a **Suspension Period**) until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has resolved (a) that a Credit Event has or has not occurred or (b) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has made such resolution, the relevant timing requirements of the Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

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

In the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated in accordance with General Condition 4 provided that:

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

Risks relating to Custom Index Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable is dependent upon the level of a custom index or custom indices (Custom Index Linked Notes). In addition to risks set out under "Risks Relating to Index Linked Notes" above, certain additional risks, including those below apply to Custom Index Linked Notes.

An investment in Custom Index Linked Notes will entail significant risks not associated with an investment in a conventional debt security. On redemption or exercise, as the case may be, of Custom Index Linked Notes, Noteholders will receive an amount (if any) determined by reference to the value of the underlying custom index/custom indices. Such custom index may be an index established and calculated by the Issuer, the Guarantor or its affiliates or another entity which may not be widely published or available. The custom index may reference, inter alia, equities, bonds or other securities, commodities or it may be a property index referencing certain property price data which will be subject to market price fluctuations, or may reference a number of different assets or indices. Custom Index Linked Notes pay interest (if any) calculated by reference to the value of the underlying custom index/custom indices.

Custom Index Linked Notes are linked to a proprietary index which may be sponsored and/or calculated by BBVA or one of its affiliates. Pursuant to the operational rules of the Custom Index, the Custom Index is scheduled to be calculated on each weekday. In the event that one of the levels of a component included in the Custom Index is not available for any reason on any weekday, then the Calculation Agent of the Custom Index may, but is not obliged to, calculate the level of the Custom Index on that day by taking a value for the affected index component from the first preceding day on which a level for such affected index component was available.

For the avoidance of doubt, the Issuer and/or its affiliates may not be able to trade on and hedge its obligations in respect of the Custom Index under the Notes notwithstanding the calculation of the level of the Custom Index. In the event that any Settlement Price Date or Averaging Date is a Disrupted Day for the Custom Index, such Settlement Price Date or Averaging Date shall be the first succeeding day on which the Issuer or relevant affiliate is able to trade on and hedge its obligations in respect of the Custom Index, subject to a specified maximum days of disruption, as more fully set out in the Terms and Conditions of the Notes.

Risks relating to Foreign Exchange (FX) Rate Linked Notes

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

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

even if the average level is consistent with their expectations. In general, the earlier the change in currency exchange rates, the greater the effect on yield.

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

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CNMV, shall be incorporated in, and form part of, this Base Prospectus:

- (a) The audited annual financial statements of BSF for the financial years ended December 31, 2008 and December 31, 2009 (including the unqualified audit reports issued in respect thereof) prepared in accordance with Spanish generally accepted accounting principles and their English translation filed with the Spanish Securities Market Commission (the “CNMV”) and made available on the website of the Issuer.
- (b) The audited consolidated annual financial statements of the Guarantor for the financial years ended December 31, 2010 December 31, 2009 and December 31, 2008 (including the unqualified audit reports issued in respect thereof) in Spanish prepared in accordance with the International Financial Reporting Standards previously adopted by the European Union (EU-IFRS) filed with the CNMV. These financial statements, together with their English translations, are available on the Guarantor’s website www.bbva.com.
- (c) The Registration Document (*Documento de Registro*) of the Guarantor filed before the CNMV on June 17, 2010, and made available on their website www.cnmv.es.
- (d) The section entitled "Risk Factors" (*Factores De Riesgo*) set out on pages 26-39 of the Securities Note (*Nota de Valores*) of the Guarantor filed before the CNMV on November 2, 2010.
- (e) The published interim financial statements of Issuer for the six month period ending June 30, 2010 in Spanish and their English translation registered with the CNMV on 17 December, 2010.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and/or the Guarantor and approved by the CNMV in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the Issuer and the Guarantor at Paseo de la Castellana, 81, 28046 Madrid and on the Guarantor’s website www.bbva.com.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Issuer:	BBVA Senior Finance, S.A. Unipersonal (the Issuer)
Guarantor:	Banco Bilbao Vizcaya Argentaria, S.A. (BBVA)
Description:	Structured Medium Term Note Programme
Arranger:	BBVA
Dealers:	BBVA and any other Dealers appointed, from time to time, by the Issuer.
Certain Restrictions:	<p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “<i>Subscription and Sale and Transfer and Selling Restrictions</i>”) and including the following restrictions applicable at the date of this Base Prospectus:</p> <p>Notes may not (a) have a minimum denomination (face value amount) of less than €1,000 (or its equivalent in other currencies) or (b) carry the right to acquire new shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs.</p>
Issuing and Principal Paying Agent:	BBVA
Programme Size:	Up to €2,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme, provided that any required authorisations have been duly obtained.
Distribution:	Notes may be distributed by way of private or public placement, subject to the restrictions set out under “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” below and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.

Maturities:	Any maturity greater than one month or such other minimum or maximum maturity as indicated in the applicable Final Terms as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. No perpetual notes shall be issued under this Programme.
Notes with a maturity of less than one year	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes may be issued in bearer or registered form. The Issuer may issue Bearer Notes in New Global Note (NGN) form and Registered Notes may be held under the new safekeeping structure (NSS), as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa. The Notes may also be issued in uncertificated, dematerialised book-entry form as described in “ <i>Form of the Notes</i> ”.
Redemption:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution; see “<i>Notes with a maturity of less than one year</i>” above.</p>
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “ <i>Notes with a maturity of less than one year</i> ” above), and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the

publication of a prospectus under the Prospectus Directive will be €1,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

So long as any Bearer Notes are represented by a Temporary Bearer Global Note or a Permanent Bearer Global Note, or so long as a Registered Note is represented by a Registered Global Note, such Notes will be tradeable only in the minimum authorised denomination of €1,000 and higher integral multiples of €1,000. Book-Entry Notes may only be issued in one denomination.

Taxation:

Save as set out below, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Spain as provided in General Condition 7. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in General Condition 7, be required to pay additional amounts to cover the amounts so deducted.

Payments in respect of the Notes and under the Guarantee will be subject to Spanish withholding tax in the circumstances described below. In such circumstances, neither the Issuer nor the Guarantor will be required to pay additional amounts in respect of such withholding tax.

Under Spanish law interest payments in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 19 per cent., in the case of: (a) individual holders who are resident for tax purposes in Spain; and (b) with respect to Bearer and Registered Notes which are admitted to listing and trading on a listing authority, stock exchange and/or quotation system in an OECD country other than Spain when the investor is (i) a Spanish-resident legal entity subject to Spanish corporation tax and (ii) an individual or legal entity non-resident in Spain, subject to Spanish non-resident income tax and operating in Spain through a permanent establishment to which such Notes are assigned, if the Spanish Tax Authorities determine that such Notes do not comply with the exemption requirements specified in Sections 59 q) and s) of the Royal Decree 1777/2004, of July 30 (as interpreted in accordance with the reply to a Non Binding Consultation of the Directorate General for Taxation (Dirección General de Tributos) dated July 20, 2004) or if there is a change in interpretation by the Spanish tax authorities, payments made by the Issuer or the Guarantor may become subject to Spanish withholding tax.

In addition, holders who fail to provide information regarding their identity and tax residence will also receive payments subject to Spanish withholding tax, see General Condition 7 of the Notes.

Disclosure of Identity of Holders:

Although Law 4/2008 of December 23, abolishing the Wealth Tax levy, generalizing the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (Law 4/2008), modified the regime on information reporting obligations, the Spanish General Directorate for Taxation holds the criteria

(binding rulings V0077-09 and V0078-09 issued on January 20, 2009) that, in order to benefit from withholding tax exemption on interest payments in respect of the Notes, non-Spanish tax residents must continue to fulfill the information reporting procedures established under Section 44 of the Spanish Royal Decree 1065/2007. Therefore, Beneficial Owners in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with procedures described herein will receive payments net of Spanish withholding tax, currently at the rate of 19 per cent. Neither the Issuer nor the Guarantor will pay additional amounts in respect of any such withholding tax in any of the above cases.

The European Clearing Systems and Iberclear have arranged certain procedures to facilitate the Principal Paying Agent in the collection of the information referred to above from Noteholders. If the European Clearing Systems and/or Iberclear are, in the future, unable to follow these procedures, they may refuse to clear all or any Series of the Notes and this will affect the liquidity of the relevant Notes. In such a case, Global Notes will be exchanged for Notes in definitive form, see "*Form of the Notes*". The Guarantor and the Issuer may from time to time appoint an agent to intermediate with the European Clearing Systems and/or Iberclear.

Cross Default: The terms of the Notes will contain a cross default provision as further described in General Condition 9.

Negative Pledge: The terms of the Notes will not contain a Negative Pledge provision.

Status of the Notes: Notes will be direct, unconditional and unsecured obligations of the Issuer and will rank pari passu, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, and will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee, both as more fully described in General Condition 3.

Rating: The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Noteholder Representative and Meetings: Spanish company law requires that a representative (*Comisario*) of the Noteholders is appointed and that a syndicate of Noteholders is established in relation to the Notes issued under the Programme. By purchasing a Note of any Series, the holder thereof automatically becomes a member of the Syndicate and also will be deemed to have agreed to (i) the appointment of the representative for that Series named in the applicable Final Terms, and (ii) accept the syndicate regulations referred to in the applicable Final Terms.

Listing and Admission to Trading: The Notes may be listed and admitted to trading, as the case may be, on AIAF and/or on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. Notes may not be issued under the Programme on an unlisted basis.

The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.

Governing Law: The issue of the Book-Entry Notes (as defined below), including their legal nature (*obligaciones*), the status of the Book-Entry Notes and the status of the Guarantee in respect of them (General Condition 3), the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner (General Condition 14) and the constitution of the Syndicate of Holders of the Book-Entry Notes will be governed by Spanish law. Subject as provided above, the terms and conditions of the Book-Entry Notes, all related contractual documentation and any non-contractual obligations arising out of or in connection with the Book-Entry Notes and all related contractual documentation will be governed by, and shall be construed in accordance with, English law.

The issue of the Certificated Notes (as defined below), including their legal nature (*obligaciones*), the status of the Certificated Notes and the status of the Guarantee in respect of them (General Condition 3), the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner (General Condition 14) and the constitution of the Syndicate of Holders of the Certificated Notes will be governed by Spanish law. Subject as provided above, the terms and conditions of the Certificated Notes, all related contractual documentation and any non-contractual obligations arising out of or in connection with the Certificated Notes and all related contractual documentation will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy, France and Spain) and Japan; see “*Subscription and Sale and Transfer and Selling Restrictions*”. The applicable Final Terms may also specify additional selling restrictions in connection with the offering and sale of a particular Tranche of Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, registered form, without interest coupons attached, or in book-entry form. In this Base Prospectus, Bearer Notes and Registered Notes are collectively referred to as **Certificated Notes**. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or a permanent global note (a **Permanent Bearer Global Note**) as indicated in the applicable Final Terms, which, in either case, will (i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification of non-U.S. beneficial ownership or certification to the effect that the holder is a U.S. person who purchased in a transaction that did not require registration under the Securities Act and to the effect that such holder is not a United States person, or is a United States person that purchased by or through certain United States financial institutions or is a financial institution purchasing for resale during the restricted period to persons other than United States persons or persons within the United States or its possessions as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only

upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in General Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, (iii) if so specified in the applicable Final Terms, the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form or (iv) the Notes are required to be removed from both Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with General Condition 3 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Issuer, as the case may be, may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

Registered Notes will initially be represented by a global note in registered form (a **Registered Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in General Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend describing such restrictions on transfer.

Registered Global Notes will either (a) be deposited with a custodian for the accounts of Euroclear and Clearstream, Luxembourg or (b) be deposited with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in General Condition 5.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in General Condition 5.4) immediately preceding the due date for payment in the manner provided in that General Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (a) an Event of Default has occurred and is continuing, (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form, (c) in the case of Notes registered in the name of a nominee for a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, no successor clearing system is available, and (d) the Notes are required to be removed from (in the case of Notes registered in the name of a nominee for a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg) both Euroclear and Clearstream, Luxembourg and, in either case, no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with General Condition 3 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Issuer, as the case may be, may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

General provisions relating to Certificated Notes

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or its nominee each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes and voting, giving

consents or making requests, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Except in relation to Notes issued in NGN form or Registered Global Notes held under the NSS, any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Principal Paying Agent. A Note may be accelerated by the holder thereof in certain circumstances described in General Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note within a period of 15 days from the giving of a notice by a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented and credited to its securities account that it wishes to accelerate such Notes, then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg.

Book-Entry Notes

Book-Entry Notes admitted to trading on AIAF and other Spanish regulated markets

Notes may be issued in uncertificated, dematerialised book-entry form (**Book-Entry Notes**). Book-Entry Notes which are admitted to trading on AIAF will be issued as *anotaciones en cuenta* and registered with *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal (Iberclear)* as managing entity of the Central Registry. Such Book-Entry Notes will be constituted as such by virtue of their entry in the corresponding accounting book of Iberclear.

In accordance with article 6 of the Spanish Securities Market Act, the Issuer will prepare and deposit the relevant Final Terms in respect of Book-Entry Notes which are to be admitted to trading on AIAF, with the CNMV, Iberclear and the Spanish Paying Agent.

The holders of Book-Entry Notes which are admitted to trading on AIAF will be identified as such (on their own account or for the account of third parties) as appears from the accounting book maintained by Iberclear or the relevant member (*entidad adherida*) of Iberclear (**Iberclear Member**) (as the case may be). The clearing and settlement of the Book-Entry Notes which are admitted to trading on AIAF will be carried out in accordance with the operating rules that are established or in the future may be approved by Iberclear.

Payments to be made in respect of Book Entry Notes which are admitted to trading on AIAF will be made by the Issuer (or on its behalf) to Iberclear or the relevant Iberclear Member (as the case may be), in whose records such Book-Entry Notes are registered, in accordance with Iberclear's current procedures.

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

Book-Entry Notes may also be admitted to trading on Spanish regulated markets other than AIAF, in which case references above to AIAF will be deemed to be to such other Spanish regulated market.

Book-Entry Notes admitted to trading on a non-Spanish regulated market

Book-Entry Notes may be admitted to trading on non-Spanish regulated markets. Book-Entry Notes which are admitted to trading on non-Spanish regulated markets will be issued in accordance with the requirements of such regulated market and registered with the Book-Entry Depository specified in the applicable Final Terms.

In accordance with article 6 of the Spanish Securities Market Act, the Issuer shall prepare a public deed of issuance in respect of Book-Entry Notes to be admitted to trading on non-Spanish regulated markets which will contain the Final Terms of such Book-Entry Notes. The public deed of issuance will be registered with the appropriate mercantile registry.

The holders of Book-Entry Notes which are admitted to trading on non-Spanish regulated markets will be identified as such (on their own account or for the account of third parties) as appears from the accounting book maintained by the Book-Entry Depository. The clearing and settlement of the Book-Entry Notes which are admitted to trading on non-Spanish regulated markets will be carried out in accordance with the operating rules that are established or in the future may be approved by the Book-Entry Depository.

Payments to be made in respect of Book Entry Notes which are admitted to trading on non Spanish regulated markets will be made by the Issuer (or on its behalf) to the Book-Entry Depository in accordance with the Book Entry Depository's current procedures and in accordance with applicable Spanish laws.

Other provisions relating to Book-Entry Notes

Title to the Book-Entry Notes will be evidenced by book entries and each person shown in the registries maintained by Iberclear Members (or the members of the relevant Book-Entry Depository) and having an interest in the Book-Entry Notes shall be considered, by the Issuer, the Guarantor and the Agents, as the holder of the principal amount of Book-Entry Notes recorded therein, and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

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

Further tranches of Book-Entry Notes (fungible Book-Entry Notes)

The Issuer shall arrange (without the requirement to obtain the consent of the Noteholders) that, where a further Tranche of Book-Entry Notes is issued which is intended to form a single Series with an existing Tranche of Book-Entry Notes, the Book-Entry Notes of such further Tranche shall be assigned a common code and ISIN.

FORM OF APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 50,000 (or its equivalent in any other currency) or at least EUR 1,000 (or its equivalent in any other currency) in circumstances where investors are required to acquire Notes for a total consideration of at least EUR 50,000 per investor). If a tranche of Notes issued under the Programme is offered in any other circumstances this form of Final Terms is not appropriate and will require amendment.

[Date]

BBVA Senior Finance, S.A. Unipersonal

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Banco Bilbao Vizcaya Argentaria, S.A.

under the €2,000,000,000

Structured Medium Term Note Programme

[Name], acting on behalf of BBVA Senior Finance, S.A. Unipersonal, (the **Issuer**) with registered office at Gran Vía 1, Bilbao (Spain) in his capacity as director of the Issuer and according to the resolution of the general shareholders and board of directors meeting of June 21, 2010 agrees, under the terms and conditions of the €2,000,000,000 Structured Medium Term Note Programme Base Prospectus dated February 15, 2011 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) (the **Base Prospectus**) registered and approved by the Comisión Nacional del Mercado de Valores on February 15, 2011, to fix the following terms and conditions of issuance of Notes described herein and declares that the information contained in these Final Terms is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

In relation to the guarantee granted by Banco Bilbao Vizcaya Argentaria, S.A. (the **Guarantor**) in respect of the Notes, [Name], acting on behalf of the Guarantor according to the resolution of the Board of Directors of the Guarantor dated May 25, 2010, with the signature of this document hereby accepts the Guarantor responsibility as guarantor of the Notes for the information contained in this document. [Name], declares that the information regarding the Guarantee and the Guarantor contained in these Final Terms is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

It is agreed to appoint [Name], of legal age, resident in Madrid, with Spanish identity card [●], as Provisional Commissioner of the Syndicate of Noteholders of the Notes. [Name] acts on his own and accepts his appointment by his signature being attached to this document.

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of

the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances]. ***[Delete this paragraph if Notes have a denomination of at least EUR 50,000 (or its equivalent in any other currency)]***

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth under the section[s] entitled “Terms and Conditions of the Notes” [and “Annex 1 - Additional Terms and Conditions for Index Linked Notes”/“Annex 2 - Additional Terms and Conditions for Equity Linked Notes”/“Annex 3 - Additional Terms and Conditions for Inflation Linked /“Annex 4 - Additional Terms and Conditions for Commodity Linked Notes”/“Annex 5 - Additional Terms and Conditions for Fund Linked Notes”/“Annex 6 - Additional Terms and Conditions for Credit Linked Notes”/ “Annex 7 - Additional Terms and Conditions for Custom Index Linked Notes”/“Annex 8 - Additional Terms and Conditions for Foreign Exchange (FX) Rate Linked Notes”] in the Base Prospectus dated February 15, 2011 [as so supplemented]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing both at the office of the Issuer at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain and the official web pages of BBVA (www.bbva.es) and CNMV (www.cnmv.es).

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

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

1. (a) Issuer: BBVA Senior Finance, S.A. Unipersonal
NIF: A95338000
- (b) Guarantor: Banco Bilbao Vizcaya Argentaria, S.A.
NIF: [●]
2. (a) Series Number: [●]
- (b) Tranche Number: [●]
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
 - (a) Series: [●]

- (b) Tranche: [●]
5. Issue Price of Tranche: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] (if applicable)
6. (a) Specified Denomination: [€1,000 / €50,000 / other]
(in the case of Registered Notes this means the minimum integral amount in which transfers can be made) *(The minimum denomination of a Note to which these Final Terms applies shall not be less than [€50,000 (or its equivalent in any other currency) or €1,000 (or its equivalent in any other currency) in circumstances where investors are required to acquire Notes for a total consideration of at least €50,000]). N.B. Notes may only be issued in one denomination)*
- (b) Calculation Amount: [●]
(Insert the Specified Denomination.)
- (c) Number of Notes issued: [●] (assuming that each Note is issued with a Specified Denomination equal to the Calculation Amount)
(The number of Notes issued should be calculated by dividing the Aggregate Nominal Amount by the Calculation Amount)
7. [(a)] Issue Date: [●]
- (b) Date of Payment of Net Proceeds: [●]
- (c) [Interest Commencement Date: [[specify/Issue Date/Not Applicable]]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)
8. Maturity Date: [Specify date] [or if that is not a Business Day the immediately [succeeding/preceding] Business Day [unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day] [(the **Scheduled Maturity Date**)] [subject as provided in Fund Linked Condition 7. *(include for Fund Linked Notes)*]. [subject as provided in Credit Linked Condition 5, Credit Linked Condition 6, Credit Linked Condition 7 and Credit Linked Condition 8.] *(include for Credit Linked Notes)*

[Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]/[Other - specify date]
9. Interest Basis: [[●] per cent. Fixed Rate][[LIBOR/EURIBOR] +/- [●] per cent. Floating Rate][Zero Coupon][Index Linked Interest][Equity Linked Interest][Inflation Linked

- Interest] [Commodity Linked Interest][Fund Linked Interest] [Custom Index Linked Interest] [Foreign Exchange (FX) Rate Linked Interest][Other Interest][*specify other*][(further particulars specified below)]
10. Redemption/Payment Basis: [Redemption at par][Index Linked Redemption][Equity Linked Redemption][Inflation Linked Redemption][Commodity Linked Redemption][Fund Linked Redemption][Credit Linked Redemption] [Custom Index Linked Redemption][Foreign Exchange (FX) Rate Linked Redemption][Other Redemption][Partly Paid][Instalment] [*specify other*] (*N.B. If the Final Redemption Amount is other than 100 per cent of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
11. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Investor Put] [Issuer Call] [(further particulars specified below)]
13. Settlement: [Cash Settled/See "Credit Linked Redemption Amount" below¹]
14. (a) Status of the Notes: Senior
(b) Status of the Guarantee: Senior
15. Listing See "*Listing*" and "*Admission to Trading*" in paragraph 1 of Part B
16. Method of distribution: [Syndicated/Non-syndicated]
17. Additional Business Centre(s): [●] (*Note that this item does not relate to the place of payment to which item [] relates.*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

18. **Fixed Rate Note Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Rate(s) of Interest: [●] per cent per annum [payable [annually/semi

¹ Insert in respect of Credit Linked Notes only

- annually/quarterly] in arrear]
(If payable other than annually, consider amending General Condition 4)
- (b) Interest Payment Date(s): in each year up to and including the Maturity Date/[specify other]]
(N.B. This will need to be amended in the case of long or short coupons)
- (c) [Fixed Coupon Amount(s): per Calculation Amount
(Applicable to Notes in definitive form)]
- (d) [Broken Amount(s): per Calculation Amount payable on the Interest Payment Date falling in/on
(Applicable to Notes in definitive form)]
[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]
- (e) Day Count Fraction: /360 or Actual/Actual (ICMA) or specify other]
(See General Condition 4 for alternatives. Note that if interest is not payable on a regular basis (for example, if there are Broken Amounts specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction)
- (f) Determination Date(s): in each year
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration.
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA).]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
19. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph.)
- (a) Specified Period(s)/Specified Interest Payment Dates:
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (c) Manner in which the Rate Screen Rate Determination/ISDA

- of Interest and Interest Determination/*specify other*
Amount is to be
determined:
- (d) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (e) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [●]
(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)
 - Interest Determination Date(s): [●]
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR.)
 - Relevant Screen Page: [●]
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
 - Reference Banks: [As defined in General Condition 4/other]
- (f) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (g) Margin(s): [+/-] [●] per cent per annum
- (h) Minimum Rate of Interest: [●] per cent per annum
- (i) Maximum Rate of Interest: [●] per cent per annum
- (j) Day Count Fraction: [Actual/Actual (ISDA) or Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360]

30/360 or 360/360 or Bond Basis
 30E/360 or Eurobond Basis
 30E/360 (ISDA)
 Other]
 (See General Condition 4 for alternatives.)

- (k) Fall-back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the General Conditions: [●]

20. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph.)

- (a) Accrual Yield: [●] per cent per annum
- (b) Reference Price: [●]
- (c) Any other formula/basis of determining amount payable: [●]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [General Condition 6.5(a)(iii) applies/specify other]
 (Consider applicable day count fraction if not U.S. dollar denominated.)

21. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
- (b) Calculation Agent, if any, responsible for calculating the interest payable: [●]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [Include a description of market disruption or settlement disruption events and settlement provisions.]
- (d) Person at whose option Specified Currency(ies) is/are payable: [●]

22. Reference Item Linked Interest: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- [If applicable:*
- The provisions of Annex [●] – *Additional Terms and Conditions for [insert applicable reference item] Linked Notes* shall apply. Also see item [●] below for specific provisions relating to [●] Linked Notes.] *[Complete as applicable for relevant reference item]*
- (i) Formula for calculating interest rate including back up provisions: []
- (ii) Coupon Valuation Dates: [insert/Not Applicable]
- (iii) Coupon Valuation Time: [insert/Not Applicable]
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []

PROVISIONS RELATING TO REDEMPTION

23. **Issuer Call** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph.)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount of each Note and method, if any, of [●] per Calculation Amount

calculation of such amount(s):

- (c) If redeemable in part:
 - (i) Minimum Redemption Amount:
 - (ii) Maximum Redemption Amount:
- (d) Notice period (if other than as set out in the General Conditions):

(N.B. If setting notice periods which are different to those provided in the General Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

24. Investor Put

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph.)

- (a) Optional Redemption Date(s):
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): per Calculation Amount
- (c) Notice period (if other than as set out in the General Conditions):

(N.B. If setting notice periods which are different to those provided in the General Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

25. Final Redemption Amount of each Note:

[[] per Calculation Amount]/The [Index/Equity/Inflation/Commodity/Fund/Credit/Custom Index/Foreign Exchange FX Rate] Linked [Other] Note provisions specified in item [] below apply]

(N.B. If the Final Redemption Amount is other than 100 per cent of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

26. **Index Linked Notes:** [Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Index/Basket of Indices: [•]
[Composite/non Composite]
- (b) Relative Performance Basket: [Not applicable/Specify value which may be by reference to: Best Performing/Worst Performing]
- (c) Index Currency: [specify]
- (d) Screen Page: [specify]
- (e) Formula: [specify]
- (f) Provisions for determining Final Redemption Amount, including where calculation by reference to Formula is impossible or impracticable: [•] per Calculation Amount
- (g) Calculation Agent responsible for calculating the amounts due: [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [Address]
- (h) Settlement Price: The Settlement Price will be calculated [insert calculation method]/[As set out in the Index Linked Conditions]
- (i) Disrupted Day: [As set out in the Index Linked Conditions/specify]
- (j) Strike Date: [•]
- (k) Averaging: Averaging [applies/does not apply] to the Notes. [The Averaging Dates are [•].]

[In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]

Specified Maximum Days of Disruption will be equal to:
[•]/[three]]

(If no Specified Maximum Days of Disruption are stated,
Specified Maximum Days of Disruption will be equal to
three)

- (l) Redemption Valuation Date: [specify]
- (m) Observation Date(s): [The Observation Date(s) is/are [•]/Not applicable].
[In the event that an Observation Date is a Disrupted Date/[Omission/Postponement/Modified Postponement] will apply.]
- (n) Observation Period: [specify/Not applicable]]
- (o) Exchange Business Day: [(All Indices Basis)/(Per Index Basis)/(Single Index Basis)]
- (p) Scheduled Trading Day: [(All Indices Basis)/(Per Index Basis)/(Single Index Basis)]
(must match election made for Exchange Business Day)
- (q) Exchange(s) and Index Sponsor: the relevant Exchange[s] [is/are] [•]; and
the relevant Index Sponsor is [•].
- (r) Related Exchange: [specify/All Exchanges]
- (s) Weighting: [Not applicable/The Weighting to be applied to each item comprising the Basket of Indices to ascertain the Settlement Price is [•]. Each such Weighting shall be subject to adjustment in the case of Index Linked Notes]/[specify]. (N.B. Only applicable in relation to Notes relating to a Basket of Indices)]
- (t) Valuation Time: [Scheduled Closing Time]/[Any time [on the relevant Settlement Price Date /during the Observation Period.] [[•], being the time specified on the relevant Settlement Price Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] (N.B. If no time specified, the Valuation Time will be the Scheduled Closing Time)
- (u) Index Correction Period: [As set out in the Index Linked Conditions/specify]

- (v) Additional Disruption Events: (i) [The following Additional Disruption Events apply to the Notes:]
- (Specify each of the following which applies)
- [Change in Law]
- [[Hedging Disruption]
- [Increased Cost of Hedging]
- [Increased Cost of Stock Borrow]
- [Loss of Stock Borrow]
- (ii) [[The Trade Date is [•].]
(*N.B. Only applicable if Change in Law and/or Increased Cost of Hedging is applicable*)]
- (iii) [[The Maximum Stock Loan Rate in respect of [specify in relation to each relevant security] is [•].]

(*N.B. Only applicable if Loss of Stock Borrow is applicable*)]
- (iv) [[The Initial Stock Loan rate in respect of [specify in relation to each relevant security] is [•].]

(*N.B. only applicable if Increased Cost of Stock Borrow is applicable*)]
- (v) Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable/Not applicable]
- (w) Market Disruption: Specified Maximum Days of Disruption will be equal to [•]/[three]:
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to three)
- (x) Knock-in Event: [Not applicable/Applicable and Item [(A) (a/b/c/d)/(B)] of the definition of Knock-in Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Knock-in Level/Knock-in Range Level: [[From and including][From and excluding][specify][To and including]/[To but excluding]/[specify]]

- (ii) Knock-in Period Beginning Date: [Not applicable]/[specify]
- (iii) Knock-in Period Beginning Date Scheduled Trading Day Convention: [Applicable/Not applicable]
- (iv) Knock-in Determination Period: [specify/Each Scheduled Trading Day in the Knock-in Determination Period]
- (v) Knock-in Determination Day(s): [specify/Each Scheduled Trading Day in the Knock-in Determination Period]
- (vi) Knock-in Period Ending Date: [Not applicable]/[specify]
- (vii) Knock-in Period Ending Date Scheduled Trading Day Convention: [Applicable/Not applicable]
- (viii) Knock-in Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-in Determination Day.]
- (y) Knock-out Event: [Not applicable/Applicable and Item (i/ii/iii/iv) of the definition of Knock-out Event applies]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Knock-out Level: [specify]
 - (ii) Knock-out Period Beginning Date: [Not applicable/specify]
 - (iii) Knock-out Period Beginning Date Scheduled Trading Day Convention: [Applicable/Not applicable]
 - (iv) Knock-out Determination Period: [specify]
 - (v) Knock-out Determination Day(s): [specify/Each Scheduled Trading Day in the Knock-out Determination Period]

- (vi) Knock-out Period [Not applicable/specify]
Ending Date:
- (vii) Knock-out Period [Applicable/Not applicable]
Ending Date
Scheduled
Trading Day
Convention:
- (viii) Knock-out [Scheduled Closing Time]/[Any time on a Knock-out
Valuation Time: Determination Day.]
- (z) Automatic Early [specify/See definition in Condition 6 of the Index
Redemption Event: Linked Conditions and item (ii) (a/b/c/d) of the
definition of Automatic Early Redemption Event
applies.]
 - (i) Automatic Early [specify]
Redemption
Amount:
 - (ii) Automatic Early [specify/
Redemption
Date(s):
 - (iii) Automatic Early [specify]
Redemption
Level:
 - (iv) Automatic Early [specify]
Redemption Rate:
 - (v) Automatic Early [specify]
Redemption
Valuation
Date(s):
- (aa) Delayed Redemption on [Applicable/Not applicable]
Occurrence of Index
Adjustment Event:
- (bb) Other terms or special [Not applicable/specify]
conditions:

27. **Equity Linked Notes** [Applicable/Not applicable]

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

- (a) Share(s)/Share [●]
Company/Basket
Company:

- (b) Relative Performance Basket: [Not applicable/Specify performance which may be by reference to: Best Performing/Worst Performing]
- (c) Share Currency: [specify]
- (d) ISIN of Share(s): [specify]
- (e) Screen Page/Exchange Code: [specify]
- (f) Formula: [specify] (N.B. If Formula includes initial closing price use term Initial Price for relevant definition)
- (g) Settlement Price: The Settlement Price will be calculated [insert calculation method]/[As set out in the Equity Linked Conditions]
[Exchange Rate: []]
- (h) Disrupted Day: [As set out in the Equity Linked Conditions/specify]
- (i) Calculation Agent for responsible for calculating the amounts due: [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [Address]
- (j) Provisions for determining the Final Redemption Amount, including where calculation by reference to Formula is impossible or impracticable: [●] per Calculation Amount
- (k) Strike Date: [●]
- (l) Averaging: Averaging [applies/does not apply] to the Notes. [The Averaging Dates are [●].]
[In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
[Specified Maximum Days of Disruption will be equal to: [●]/[three]]
(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to three)
- (m) Redemption Valuation Date: [specify]

- (n) Observation Date(s): [The Observation Date(s) is/are [●]/Not applicable.]
[In the event that an Observation Date is a Disrupted Date/[Omission/Postponement/Modified Postponement] will apply.]
- (o) Observation Period: [specify/Not applicable]
- (p) Exchange Business Day: [(All Shares Basis)/(Per Share Basis)/(Single Share Basis)]
(standard election is All Shares Basis)
- (q) Scheduled Trading Day: [(All Shares Basis)/(Per Share Basis)/(Single Share Basis)]
(must match election made for Exchange Business Day)
- (r) Exchange(s): The relevant Exchange[s] [is/are] [●].
- (s) Related Exchange(s): [specify/All Exchanges]
- (t) Weighting: [Not applicable/The Weighting to be applied to each item comprising the Basket of Shares to ascertain the Settlement Price is [●]. Each such Weighting shall be subject to adjustment in the case of Equity Linked Notes]/[specify]. *(N.B. Only applicable in relation to Notes relating to a Basket of Shares)*
- (u) Valuation Time: [Scheduled Closing Time/Any time [on the relevant Settlement Price Date /during the Observation Period.]
[The Valuation Time is [●], being the time specified on the relevant Settlement Price Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] *(N.B. if no time specified, the Valuation Time will be the Scheduled Closing Time).*
- (v) Share Correction Period: [As per Equity Linked Conditions/specify]
- (w) Additional Disruption (i) [The following Additional Disruption Events: apply to the Notes:]
(Specify each of the following which applies)
[Change in Law]
[Hedging Disruption]
[Increased Cost of Stock Borrow]
[Insolvency Filing]
[Loss of Stock Borrow]

- [Stop-Loss Event]
- [Stop-Loss Event Percentage: [5] per cent.]
- (ii) [[The Trade Date is: [•].
- (N.B. Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*
- (iii) [[The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Share] is [•]]
- (N.B. Only applicable if Loss of Stock Borrow is applicable)*
- (iv) [[The Initial Stock Loan rate in respect of [specify in relation to each relevant Share] is [•]
- (N.B. Only applicable if Increased Cost of Stock Borrow is applicable)*
- (v) Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable/Not applicable]
- (x) Market Disruption: Specified Maximum Days of Disruption will be equal to [•]/[three]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to three)*
- (y) [Tender Offer: [Applicable/Not applicable]]
- (z) Delayed Redemption on the Occurrence of an Extraordinary Event: [Applicable/Not applicable]
- (aa) Listing Change: [Applicable/Not applicable]
- (bb) Listing Suspension: [Applicable/Not applicable]
- (cc) Illiquidity: [Applicable/Not applicable]
- (dd) Knock-in Event: [Not applicable/Applicable and Item [(A) (a/b/c/d)/(B)] of the definition of Knock-in Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Knock-in Price/Knock-in Range Price: [/[From and including]/[From and excluding]/[specify]/[To and including]/[To but excluding]/[specify]]

- (ii) Knock-in Period Beginning Date: [Not applicable/*specify*]
- (iii) Knock-in Period Beginning Date Scheduled Trading Day Convention: [Applicable/Not applicable]
- (iv) Knock-in Determination Period: [*specify*]
- (v) Knock-in Determination Day(s): [*specify*/Each Schedule Trading Day in the Knock-in Determination Period]
- (vi) Knock-in Period Ending Date: [Not applicable/*specify*]
- (vii) Knock-in Period Ending Date Schedule Trading Day Convention: [Applicable/Not applicable]
- (viii) Knock-in Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-in Determination Day.]
- (ix) Knock-in Number of Shares: [*specify*/See definition in Condition 5 of the Equity Linked Conditions]
- (ee) Knock-out Event: [Not applicable/Applicable and Item [(A/B/C/D)] of the definition of Knock-out Event applies]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Knock-out Price: [*specify*]
 - (ii) Knock-out Period Beginning Date: [Not applicable/*specify*]
 - (iii) Knock-out Period Ending Date Scheduled Trading Day Convention: [Applicable/Not applicable]
 - (iv) Knock-out Determination Period: [*specify*]

- (v) Knock-out Determination Day(s): [specify/Each Scheduled Trading Day in the Knock-out Determination Period]
- (vi) Knock-out Period Ending Date: [Not applicable/specify]
- (vii) Knock-out Period Ending Date Scheduled Trading Day Convention: [Applicable/Not applicable]
- (viii) Knock-out Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-out Determination Day.]
- (ix) Knock-out Number of Shares: [specify/Not applicable]
- (ff) Automatic Early Redemption Event: [Not applicable/Applicable and item (ii) (a/b/c/d) of the definition of Automatic Early Redemption Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Automatic Early Redemption Amount: [specify]
- (ii) Automatic Early Redemption Date(s): [specify]
- (iii) Automatic Early Redemption Price: [specify]
- (iv) Automatic Early Redemption Rate: [specify]
- (v) Automatic Early Redemption Valuation Date(s): [specify]
- (gg) Stop Loss Event: [Applicable/Not Applicable].
- (If Applicable, consider whether definition in Equity Linked Condition 7 is appropriate. Otherwise specify details)*

- (hh) Exchange Rate: [Applicable/Not Applicable].
(If Applicable, insert details)
- (ii) Other terms or special conditions: [Not applicable/specify]
28. **Inflation Linked Notes:** [Applicable/Not applicable]
- (a) Index/Indices: [•]
- (b) Screen page/Exchange/ CODE: [•]
- (c) Formula: [•]
- (d) Calculation Agent responsible for calculating the amounts due: [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [Address]
- (e) Provisions for determining Final Redemption Amount, including where calculation by reference to Formula is impossible or impracticable: [•] per Calculation Amount
- (f) Redemption Valuation Date: []
- (g) Cut-Off Date: [•]/[Not applicable]
- (h) Related Bond: [•]/Fall Back Bond
- (i) Issuer of Related Bond: [•]/[Not applicable]
- (j) Fall Back Bond: [Applicable/Not applicable]
- (k) Index Sponsor: [•]
- (l) Related Bond Redemption Event: [Applicable/Not applicable]
- (m) Determination Date: [•]
- (n) Additional Disruption Events: [The following Additional Disruption Events apply to the Notes:]
(Specify each of the following which applies)
[Change in Law]

- [Hedging Disruption]
- [Increased Cost of Hedging]
- [The Trade Date is [•].]
- (N.B. Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*
- (o) Other terms or special conditions: [Not applicable/specify]
29. **Commodity Linked Notes:** [Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Formula: [specify]
- (b) Commodity/Commodities / Commodity Index/ Commodity Indices: [•]
[The Sponsor[s] of the Commodity Index/Indices is/are [•]]
- (c) Pricing Date(s): [•]
Adjustment to Pricing Date: [preceding/succeeding]
- (d) Calculation Agent responsible for calculating the amounts due: [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [Address]
- (e) Provisions for determining Final Redemption Amount, including where calculation by reference to Formula is impossible or impracticable: [•] per Calculation Amount
- (f) Redemption Valuation Date: []
- (g) Commodity Reference Price: [•]
The Price Source is/are: [•]
- (h) Delivery Date: [•]
- (i) Nearby Month: [•]
- (j) Specified Price: [high price] [low price] [average of the high price and

the low price] [closing price] [opening price] [bid price] [asked price] [average of the bid price and the asked price] [settlement price] [official settlement price] [official price] [morning fixing] [spot price] [other]

- (k) Exchange(s): the relevant Exchange[s] [is/are] [•]
- (l) Specified Maximum Days of Disruption: [•]/two
 (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to two) (applicable only to Price Source Disruption or Trading Disruption)
- (m) Disruption Fallback(s): [[•]/Not applicable]
- (n) Delayed Redemption on Occurrence of Market Disruption Event: [Applicable/Not Applicable]
- (o) Knock-in Event: [Not applicable/Applicable and Item (A/B/C/D) of the definition of Knock-in Event applies]
 (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Knock-in Price: [specify]
- (ii) Knock-in Period Beginning Date: [specify]
- (iii) Knock-in Period Beginning Date
 Commodity
 Business Day
 Convention: [Not applicable/Applicable]
- (iv) Knock-in Determination Period: [*specify*]
- (v) Knock-in Determination Day(s): [*specify*]/Each Commodity Business Day in the Knock-in Determination Period]
- (vi) Knock-in Period Ending Date: [*specify*]
- (vii) Knock-in Period Ending Date
 Commodity
 Business Day
 Convention: [Not applicable/Applicable]

- (viii) Knock-in Valuation Time: [Close of trading on the Exchange]
- (p) Knock-out Event: [Not applicable/Applicable and Item (A/B/C/D) of the definition of Knock-out Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Knock-out Price: [specify]
- (ii) Knock-out Period Beginning Date: [specify]
- (iii) Knock-out Period Beginning Date
Commodity
Business Day
Convention: [Not applicable/Applicable]
- (iv) Knock-out Determination Period: [specify]
- (v) Knock-out Determination Day(s): [specify]/Each Commodity Business Day in the Knock-out Determination Period]
- (vi) Knock-out Period Ending Date: [specify]
- (vii) Knock-out Period Ending Date
Commodity
Business Day
Convention: [Not applicable/Applicable]
- (viii) Knock-out Valuation Time: [Close of trading on the Exchange]
- (q) Automatic Early Redemption Event: [Not applicable/Applicable and Item (A/B/C/D) of the definition of Automatic Early Redemption Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Automatic Early Redemption Amount: [specify]
- (ii) Automatic Early Redemption: [specify]

- Date(s):
- (iii) Automatic Early Redemption Price: [specify]
- (iv) Automatic Early Redemption Rate: [specify]
- (v) Automatic Early Redemption Valuation Date(s): [specify]
- (r) Additional Disruption Events: [The following Additional Disruption Events apply to the Notes:]
- (Specify each of the following which applies)*
- [Change in Law]
- [Hedging Disruption]
- [Increased Cost of Hedging]
- [The Trade Date is [•].]
- (s) Weighting The Weighting to be applied to each item comprising the Commodity Basket is [•]
- (t) Other terms or special conditions: [Not applicable/specify]
30. **Fund Linked Notes:** [Applicable/Not applicable]
- (a) Fund [•]
- [The [•] Fund is an ETF]²
- (b) Fund Share(s) [•]
- (c) Averaging: Averaging [applies/does not apply] to the Notes. [The Averaging Dates are [•].]
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- [Specified Maximum Days of Disruption will be equal to: [•]/[three]]

² Specify each ETF (if any).

(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to three)

- (d) Exchange Business Day: [All Shares Basis/Per Share Basis/Single Share Basis]
(standard election is All Shares Basis)
- (e) Market Disruption: Specified Maximum Days of Disruption will be equal to [•]/[three]
(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to three)
- (f) Exchange(s) (only applicable to ETF): [•]/[Not applicable]
- (g) Related Exchange (only applicable to ETFs): [•]/[All Exchanges]/[Not applicable]
- (h) Scheduled Trading Day (only applicable to ETFs): [All Fund Share Basis]/[Per Fund Share Basis]/[Single Fund Share Basis]
- (i) Fund Documents: [•]
- (j) Fund Business Day: [All Fund Share Basis]/[Per Fund Share Basis]/[Single Fund Share Basis]
- (k) Fund Service Provider: [As per Fund Linked Conditions]/[•]
- (l) Calculation Date(s): [As per Fund Linked Conditions]/[•]
- (m) Initial Calculation Date: [•]/[Not applicable]
- (n) Final Calculation Date: [•]/[Not applicable]
- (o) Protected Amount: [specify]
- (p) NAV Barrier: [•]
- (q) NAV Trigger Percentage: [As per Fund Linked Conditions]/[•]
- (r) NAV Trigger Period: [•]
- (s) Number of NAV Publication Days: [•]
- (t) Provisions for calculating the Final Redemption Amount: [•] per Calculation Amount
- (u) Calculation Agent responsible for [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [*insert address*]

calculating the amounts due:

- (v) Redemption Valuation Date: [•]
- (w) Basket Trigger Level: [•]/[As per Fund Linked Conditions]
- (x) Valuation Date and Valuation Time (only applicable to ETFs): [•]
- (y) Additional Extraordinary Fund Event(s): [•]
(Specify whether each Additional Extraordinary Fund Event is a Substitution Event or a Termination Event)
- (z) Consequences of Extraordinary Fund Event: [specify]/[As per Fund Linked Conditions]
- (aa) Termination Amounts: [Delta-1 Termination Amount]/[Principal Protected Termination Amount]/[Non-Principal Protected Termination Amount] [specify]/[Not applicable]
- (bb) Delta-1 Termination Amount: [•]
- (cc) Spread: [specify]
- (dd) Termination Date: [specify]
- (ee) Knock-in Event: [Not applicable/Applicable. Item (ii) (A/B/C/D) of the definition of Knock-in Event applies]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Knock-in Price: [specify]
 - (ii) Knock-in Period Beginning Date: [specify]
 - (iii) Knock-in Determination Period: [specify]
 - (iv) Knock-in Determination Day(s): [specify/Each Scheduled Trading Day in the Knock-in Determination Period]
 - (v) Knock-in Period Beginning Date Scheduled: [Not applicable/Applicable]

- Trading Day
Convention:
- (vi) Knock-in Period [specify]
Ending Date:
- (vii) Knock-in Period [Not applicable/Applicable]
Ending Date
Scheduled
Trading Day
Convention:
- (viii) Knock-in Valuation Time: [Close of trading on the Exchange][Continuous observation]
- (ff) Knock-out Event: [Not applicable/Applicable. Item (A/B/C/D) of the definition of Knock-out Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Knock-out Price: [specify]
- (ii) Knock-out Period Beginning Date: [specify]
- (iii) Knock-out Determination Period: [specify]
- (iv) Knock-out Determination Day(s) [specify/Each Scheduled Trading Day in the Knock-in Determination Period]
- (v) Knock-out Period Beginning Date Scheduled Trading Day Convention: [Not applicable/Applicable]
- (vi) Knock-out Period Ending Date: [specify]
- (vii) Knock-out Period Ending Date Scheduled Trading Day Convention: [Not applicable/Applicable]
- (viii) Knock-out Valuation Time: [Close of trading on the Exchange][Continuous observation]
- (gg) Automatic Early Redemption Event: [Not applicable/Applicable. Item (A/B/C/D) of the definition of Automatic Early Redemption Event]

applies]

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

- (i) Automatic Early Redemption Amount: [specify]
- (ii) Automatic Early Redemption Date(s): [specify]
- (iii) Business Day Convention: [Following/Modified applicable] Following/Preceding/None/Not applicable]
- (iv) Automatic Early Redemption Price: [specify]
- (v) Automatic Early Redemption Rate: [specify]
- (vi) Automatic Early Redemption Valuation Date(s): [specify]
- (hh) Delayed Redemption on Occurrence of Extraordinary Fund Event: [Applicable]/[Not applicable]
- (ii) Delayed Payment Cut-Off Date: [specify]/As per Fund Linked Conditions]
- (jj) Weighting: The Weighting to be applied to each Fund Share comprises the Fund Basket is [•]
- (kk) Other terms or special conditions: [Not applicable/specify]

31. **Credit Linked Notes:** [Applicable/Not Applicable]

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

[The provisions of Annex 6 – *Additional Terms and Conditions for Credit Linked Notes* shall apply.]

- (a) Final Redemption Amount: [] per Calculation Amount
- (b) Settlement Method: [Auction Settlement/Cash Settlement]

(N.B. Credit Linked Notes settled by Physical Delivery must not be issued)

- (c) Calculation Agent City: []
- (d) Additional Financial Centre(s): *(N.B. Only applicable where provisions in the Additional Terms and Conditions for Credit Linked Notes are not appropriate)*
- (e) Reference Entity(ies): []
- (f) Reference Obligation(s): []
- [The obligation[s] identified as follows: []
- Primary Obligor: []
- Guarantor: []
- Maturity: []
- Coupon: []
- CUSIP/ISIN: []
- (g) All Guarantees: [Applicable/Not Applicable]
- Provisions relating to Qualifying Guarantee and Underlying Obligation: Credit Linked Condition 16 [Applicable/Not Applicable]
- (h) Credit Events: [Bankruptcy]
- [Failure to Pay]
- [Grace Period Extension [Applicable/Not Applicable]
- [If Applicable:
- Grace Period: []
- [Obligation Default]
- [Obligation Acceleration]
- [Repudiation/Moratorium]
- [Restructuring]
- Provisions relating to Restructuring Credit Event: Credit Linked Condition 13 [Applicable/Not Applicable]
- Provisions relating to Multiple Holder Obligation: Credit

Linked Condition 14 [Applicable/Not Applicable]

[Restructuring Maturity Limitation and Fully Transferable Obligation [Applicable/Not Applicable]]

[Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation [Applicable/Not Applicable]]

[*other*]

Default Requirement: []

Payment Requirement: []

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

[*If Applicable*:

Public Source(s): []

Specified Number: []

(j) Obligation(s):

Obligation Category [Payment]

[*select one only*]: [Borrowed Money]

[Reference Obligations Only]

[Bond]

[Loan]

[Bond or Loan]

Obligation Characteristics

[*select all of which apply*]: [Not Subordinated]

[Specified Currency:

[*specify currency*] [Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency:]

[Domestic Currency means: [*specify currency*]]

[Not Domestic Law]

[Listed]

[Not Domestic Issuance]

- Additional Obligation(s) []
- (k) Excluded Obligation(s): []
- (l) [Whether on satisfaction of Conditions to Settlement during the Notice Delivery Period redemption of the Notes will be by (a) Cash Settlement or (b) Auction Settlement: Conditions to Settlement – [Cash Settlement/Auction Settlement]]
(N.B. Credit Linked Notes settled by Physical Delivery must not be issued)
- (m) Accrual of Interest upon Credit Event: [Applicable/Not Applicable]
- (n) Merger Event: Credit Linked Condition 11 [Applicable/Not Applicable]
(If Applicable)
[Merger Event Redemption Amount: []]
[Merger Event Redemption Date:[]]
- (o) Unwind Costs: [Standard Unwind Costs/*other*/Not Applicable]
- (p) Publicly Available Information: [*specify sources*]
- (q) Notice of Publicly Available Information: [Applicable/Not Applicable]
- (r) Provisions relating to Monoline Insurer as Reference Entity: Credit Linked Condition 15 [Applicable/Not Applicable]
- (s) Provisions relating to LPN Reference Entities: Credit Linked Condition 18 [Applicable/Not Applicable]
- (t) Redemption on failure to identify a Substitute Reference Obligation: [Applicable]/[Not Applicable]

Terms relating to Cash Settlement

- (u) Final Redemption Amount: See (a) above
- (v) Credit Event Redemption Amount: [The Credit Event Redemption Amount will be calculated in accordance with the Credit Linked Conditions/*Specify*]

- (w) Credit Event Redemption [] Business Days
Date:
- (x) Valuation Date: [Applicable/Not Applicable]
[Single Valuation Date:
[] Business Days]
[Multiple Valuation Dates:
[] Business Days; and each [] Business Days
thereafter
Number of Valuation Dates: []]
- (y) Valuation Time: []
- (z) Indicative Quotations: [Applicable/Not Applicable]
- (aa) Quotation Method: [Bid/Offer/Mid-market]
- (bb) Quotation Amount: [[]/Representative Amount]
- (cc) Minimum Quotation []
Amount:
- (dd) Quotation Dealers: []
- (ee) Quotations: [Include Accrued Interest/Exclude Accrued Interest]
- (ff) Valuation Method: [Market/Highest]
[Average Market/Highest/Average Highest]
[Blended Market/Blended Highest]
[Average Blended Market/Average Blended Highest]
- (gg) Other terms or special []
conditions:

***Additional terms relating to
Auction Settlement***

- (hh) Business Day [Following/Modified Following/Preceding]
Convention:
- (ii) Succession Event [Yes/No]
Backstop Date subject to
adjustment in accordance
with Business Day
Convention:

- (jj) Limitation Dates subject to adjustment in accordance with Business Day Convention: [Yes/No]
32. **Custom Index Linked Notes:** [Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Custom Index/Custom Indices/Index Sponsor(s): [•]
[Bloomberg Code: [•]/[specify]]
- (b) Index Currency:
- (c) Screen Page: [specify]
- (d) Formula: [specify]
- (e) Settlement Price: The Settlement Price will be calculated as per the Custom Index Linked Conditions/[•] [insert calculation method]
- (f) Disrupted Day: [As set out in the Custom Index Linked Conditions/specify]
- (g) Calculation Agent responsible for calculating the amounts due: [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [Address]
- (h) Provisions for determining Final Redemption Amount, including where calculation by reference to Formula is impossible or impracticable: [•] per Calculation Amount
- (i) Strike Date: [•]
- (j) Strike Price: The Strike Price will be calculated as per Custom Index Linked Conditions/[•] (insert calculation method)
- (k) Averaging: Averaging [applies/does not apply] to the Notes. [The Averaging Dates are [•].]

[In the event that an Averaging Date is a Disrupted Day, Condition 1(b) of Custom Index Linked Condition will apply/[•](specify)]

[Specified Maximum Days of Disruption will be equal

to: [●]/[twenty]]

(if no Specific Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to twenty)

- (l) Redemption Valuation Date: [specify]
- (m) Observation Date(s): [Redemption Valuation Date] [The Observation Date(s) is/are (if no Specific Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to twenty)/Not applicable].]
- [In the event that an Observation Date is a Disrupted Day, Condition 1(b) of Custom Index Linked Conditions will apply/[●](specify)]
- (n) Observation Period: [specify/Not applicable]]
- (o) Custom Index Business Day: [(All Custom Indices Basis)/(Per Custom Index Basis)(Single Custom Index Basis)]
- (p) Scheduled Custom Index Business Day: [(All Custom Indices Basis)/(Per Custom Index Basis)(Single Custom Index Basis)]
- (q) Weighting: [Not applicable/The Weighting to be applied to each item comprising the Basket to ascertain the Settlement Price is [●]. Each such Weighting shall be subject to adjustment in the case of Custom Index Linked Notes]/[specify]. *(N.B. Only applicable in relation to Notes relating to a Basket)*
- (r) Valuation Time: [As per the Custom Index Linked Conditions]/[[●], being the time specified on the Valuation Date or an Averaging Date or Observation Date as the case may be, for the calculation of the Settlement Price.] *(N.B. if no time is specified, the Valuation Time will be as per the Custom Index Linked Conditions)*
- (s) Custom Index Correction Period: [As set out in the Custom Index Linked Conditions/specify]
- (t) Additional Disruption Events:
- (a) [The following Additional Disruption Events apply to the Notes:
- (Specify each of the following which applies.)*
- [Analogous Event]
- [Change in Law]
- [Hedging Disruption]

[Increased Cost of Hedging]

[Increased Cost of Stock Borrow]

[Loss of Stock Borrow]

[Force Majeure Event]

(b) [[The Trade Date is [•].]

(N.B. only applicable if Change in Law and/or Increased Cost of Hedging is applicable)

(c) [[The Maximum Stock Loan Rate in respect of [specify in relation to each relevant index component] is [•]

(N.B. only applicable if Loss of Stock Borrow is applicable)

(d) [[([The Initial Stock Loan rate in respect of [specify in relation to each relevant index component] is [•].]

(N.B. only applicable if Increased Cost of Stock Borrow is applicable)

(e) Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable with a rate of [•] per cent. per annum/Not applicable]

(u) Custom Index Disruption Event: Specified Maximum Days of Disruption will be equal to [•]/twenty]

(if not Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to twenty)

(v) Knock-in Event: [Not applicable/Applicable. Item (A/B/C/D) of the definition of Knock-In Event applies]

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

(i) Knock-in Level: [specify]

(ii) Knock-in Period Beginning Date: [Not applicable/specify]

(iii) Knock-In Period Beginning Date Scheduled Custom Index [Applicable/Not Applicable]

- Business Day Convention:
- (iv) Knock-In Determination Period: [specify]
 - (v) Knock-In Determination Day(s): [specify/Each Scheduled Custom Index Business Day in the Knock-in Determination Period]
 - (vi) Knock-in Period Ending Date: [Not applicable/specify]
 - (vii) Knock-In Period Ending Date Scheduled Custom Index Business Day Convention: [Applicable/Not Applicable]
 - (viii) Knock-in Valuation Time: [specify]/[Any time on a Knock-in Determination Day.]
- (w) Knock-out Event: [Not applicable/Applicable. Item (A/B/C/D) of the definition of Knock-out Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Knock-out Level: [specify]
 - (ii) Knock-out Period Beginning Date: [specify/Each Scheduled Custom Index Business Day in the Knock-out Determination Period]
 - (iii) Knock-out Period Beginning Date Scheduled Custom Index Business Day Convention: [Applicable/Not Applicable]
 - (iv) Knock-out Determination Period: [specify]
 - (v) Knock-out Determination Day(s): [specify/Each Scheduled Custom Index Business Day in the Knock-out Determination Period]
 - (vi) Knock-out Period Ending Date: [Not applicable/specify]
 - (vii) Knock-out Period: [Applicable/Not Applicable]

- Ending Date
Scheduled
Custom Index
Business Day
Convention:
- (viii) Knock-out Valuation Time: [specify/[Any time on a Knock-out Determination Day.]
- (x) Automatic Early Redemption Event: [specify/See definition in Condition 5 of the Custom Index Linked Conditions where item (A/B/C/D) applies.]
- (i) Automatic Early Redemption Amount: [specify]
- (ii) Automatic Early Redemption Date(s): [specify] or if that is not a Business Day the immediately [succeeding/preceding] Business Day [unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day.]
- (iii) Automatic Early Redemption Level: [specify]
- (iv) Automatic Early Redemption Rate: [specify]
- (v) Automatic Early Redemption Valuation Date(s): [specify]
- (y) Delayed Redemption on Occurrence of Custom Index Adjustment Event and, if applicable, rate for determining interest accrual on Calculated Custom Index Event Adjustment Amount: [Applicable] [Not applicable] [insert details]
- (z) Other terms or special conditions: [Not applicable/specify]
33. **Foreign Exchange (FX) Rate Linked Notes:** [Applicable/Not applicable]
- [•]
- (a) Formula: [specify]
- (b) Relevant Screen Page: [specify]

- (c) The relevant base currency (the **Base Currency**) is: [specify]
- (d) The relevant subject [currency/currencies] ([each a]/[the] Subject Currency) [is/are]: [specify]
- (e) Weighting: [specify]
- (f) Price Source: [specify]
- (g) Disruption Event, including any additional Disruption Event: Specified Maximum Days of Disruption will be equal to [•]/[five]
(If no Specified Maximum Days of Disruption is stated, Specified Maximum Days of Disruption will be equal to five)
- (h) Strike Date: [specify]
- (i) Averaging and Averaging Dates: [specify]
- (j) Observation Date(s): [specify] [Redemption Valuation Date]
- (k) Observation Period: [specify]
- (l) Valuation Time: [specify]
- (m) Redemption Valuation Date: [specify]
- (n) (i) Knock-in Event [Not applicable/ Applicable. Item (A/B/C/D/E) of the definition of Knock-in Event applies]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (ii) Knock-in Level/Knock-in Range Level: [specify]/[From and including][From and excluding][To and including][To but excluding]
- (iii) Knock-in Period Beginning Date: [specify]
- (iv) Knock-In Period Beginning Date Scheduled Trading Day Convention: [Applicable/Not applicable]
- (v) Knock-in [specify]

- Determination
Period:
- (vi) Knock-in Determination Day(s): [specify]
 - (vii) Knock-in Period Ending Date: [Not applicable/specify]
 - (viii) Knock-In Period Ending Date Scheduled Trading Day Convention: [Applicable/Not applicable]
 - (ix) Knock-in Valuation Time: [specify]/[Any time on a Knock-in Determination Day.]
- (o) Knock-out Event [Not applicable/Applicable. Item (ii)(A/B/C/D) of the definition of Knock-out Event applies]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Knock-out Level: [specify]
 - (ii) Knock-out Period Beginning Date: [specify]
 - (iii) Knock-out Period Beginning Date Scheduled Trading Day Convention: [Applicable/Not applicable]
 - (iv) Knock-out Determination Period: [specify]
 - (v) Knock-out Determination Day(s): [specify]
 - (vi) Knock-out Period Ending Date: [Not applicable/specify]
 - (vii) Knock-out Period Ending Date Scheduled Trading Day Convention: [Applicable/Not applicable]
 - (viii) Knock-out [specify]/[Any time on a Knock-out Determination

- Valuation Time: Day.]
- (p) Calculation Agent responsible for calculating the redemption amount due: [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [Address]
- (q) Provisions for determining Final Redemption Amount, including where calculation by reference to Formula is impossible or impracticable: [•] per Calculation Amount
- (r) Delayed Redemption on the Occurrence of a Disruption Event: [Applicable/Not applicable]
- (s) Additional Disruption Events: [The following Additional Disruption Events apply to the Notes:]
(Specify each of the following which applies)
 [Change in Law]
 [Hedging Disruption]
 [Increased Cost of Hedging]
 [[The Trade Date is [•].]
- (t) Other terms or special conditions: [Not applicable]/ [•]
34. Other Redemption Amount: [Applicable/Not applicable]
 [•]
- (a) [Formula] [Method] [specify]
 [specify other]:
- (b) Calculation Agent responsible for calculating the redemption amount due: [Banco Bilbao Vizcaya Argentaria, S.A.] / [Dealer] / [Other] [Address]
- (c) Provisions for determining redemption amount where calculation by reference to [Formula] [Method] [specify other] is impossible or impracticable: [•]

(d) Other Provisions: [•]

35. **Early Redemption:**

Early Redemption Amount(s): [As per General Condition 6.5][Other (*specify*)] (*N.B. to be specified per Calculation Amount*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

36. **Form of Notes:**

[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]]

[Registered Notes:

[Registered Global Note ([•] nominal amount) registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]

[Book-Entry Notes: [Uncertificated, dematerialised book-entry form notes (*anotaciones en cuenta*) registered with Iberclear/[*other*] as managing entity of the Central Registry/[*other registry*]]/[*other*].

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of December 14, 2005.][*Include for Notes that are to be offered in Belgium*]

[Other]

37. **New Global Note (NGN):** [Yes][No]
38. **Additional Financial Centre(s) or other special provisions relating to Payment Days:** [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which item 16(c) relates.)
39. **Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):** [Yes/No. If yes, give details]
40. **Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:** [Not Applicable/give details. N.B. new forms of Global Note may be required for Partly Paid issues.]
41. **Details relating to Instalment Notes:**
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
42. **Redenomination:** Redenomination [not] applicable
(If Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)
43. **Agents:** [Banco Bilbao Vizcaya Argentaria, S.A. to act as Principal Paying Agent and Calculation Agent through its specified office at Plaza de San Nicolas, 4 48005 Bilbao, Spain]
[other agency roles to be specified]
(if another entity appointed as one or more agent, specify name, address and function. Document appointing such entity to be entered into on or before the Issue Date and made available, together with other documents, at the specified office of the Principal Paying Agent)
(N.B. Separate entities more likely to be required if Bearer or Registered Notes)

44. **Other final terms:** [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)
(Consider including a term providing for tax certification if required to enable interest to be paid gross by Issuer.)

45. **Home Member State:** [Spain/please specify]

DISTRIBUTION

46. (a) If syndicated, names of Managers [Not Applicable/give names *(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers)*]

(b) Date of Subscription Agreement: [●]

(c) Stabilising Manager (if any): [Not Applicable/give name.]

47. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]

48. Total Commission and Concession [● per cent. of the Aggregate Nominal Amount]/[There are no commissions and fees paid by the Issuer to the Dealer.

If any commissions or fees relating to the issue and sale of these Notes have been paid or are payable by the Dealer to an intermediary, then such intermediary may be obliged to fully disclose to its clients the existence, nature and amount of any such commissions or fees (including, if applicable, by way of discount) as required in accordance with the laws and regulations applicable to such intermediary.

Neither the Dealer nor the Issuer is responsible for (i) the contractual arrangements between an intermediary and its clients, (ii) any information so provided, or (iii) whether or not the intermediary provides such information.]

49. U.S. Selling Restrictions [Reg. S Compliance Category: TEFRA D/TEFRA C/TEFRA not applicable]

50. Additional selling restrictions: [The [Dealer/Managers] shall only offer the Notes to investors who acquire the Notes for a total consideration of at least €50,000 (or its equivalent) per investor/Not Applicable/*give details*]

51. Further issues: [Yes] [No]

SYNDICATE REGULATIONS

The form of the regulations of the syndicate of the holders of the Notes issued under this Programme are scheduled to the Agency Agreement and are attached to these Final Terms.

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €2,000,000,000 Structured Medium Term Note Programme (*Programa de Emisión de Renta Fija y Notas Estructuradas*) of the Issuer.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:

By:

Duly authorised

Duly authorised

COMMISSIONER

The undersigned hereby accepts his appointment as Provisional Commissioner of the Syndicate of Noteholders of the Notes

By:

PART B – OTHER INFORMATION

1. LISTING

- (a) Listing: [AIAF/Madrid/other (specify)]
- (b) Admission to trading: [Application has been made for the Notes to be admitted to trading on [AIAF/other regulated market] with effect from [●]]
- (c) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: [The Notes have not been rated. The rating of the Guarantor is ●]/[The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[[Other]: [●]]]

[Each such credit rating agency is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the **CRA Regulation**), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.]
[Amend as appropriate]

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

3. NOTIFICATION

The Comisión Nacional del Mercado de Valores has been requested to provide/has provided [include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [names of

competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. Investors should note that under the Programme, the Guarantor acts as Principal Paying Agent, Registrar and Spanish Paying Agent. [In addition, and in connection with the issue of the Notes, the Guarantor also acts as a [Manager/Dealer] for the distribution of the Notes [*Insert this wording if the Guarantor is acting as Manager or Dealer*]] - Amend as appropriate if there are other interests]

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

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

(a) Reasons for the Offer: [●]

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

(b) Estimated net proceeds: [●]

(c) Estimated total expenses: [●]

6. YIELD (FIXED RATE NOTES ONLY)

Indication of yield: [●]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. - Amend as appropriate if this is not the case]

7. [PERFORMANCE OF INDEX/ SHARE/ COMMODITY/ INFLATION INDEX/ FOREIGN EXCHANGE RATE/ FUND/ REFERENCE ENTITY/CUSTOM INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING REFERENCE ITEM

Need to include details of where past and future performance and volatility of [the/each] index/share/inflation index/commodity/reference entity/fund/custom index/foreign exchange (FX) rate/other reference item can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying reference item and the circumstances when the risks are most evident.] [Where the underlying reference item is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

Where the underlying reference item is a security need to include the name of the issuer of the security and the ISIN or equivalent identification number. Where the underlying reference item is a basket of reference items, need to include the relevant weightings of each reference item in the basket.

Need to include a description of any market disruption or settlement disruption events that affect the underlying reference item and any adjustment rules in relation to events concerning the underlying reference item (if applicable).

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

8. OPERATIONAL INFORMATION

- (a) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]
 [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,][*include this text for Registered Notes which are to be held under the NSS*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [Include this text if “yes” selected in which case Bearer Notes must be issued in NGN form.]
- (b) ISIN Code: [●]
- (c) Common Code: [●]
- (d) Clearing systems: [Euroclear/Clearstream, Luxembourg/Iberclear/specify other including any relevant security identification numbers]
- (e) Book-Entry Depository: [None/[*Specify*]]
 (Only relevant if Notes listed on a non-Spanish regulated market. The Book-Entry Depository should not be Iberclear. If a Book-Entry Depository is selected, consider amendments to conditions to reflect its procedures)
- (f) Delivery: Delivery [against/free of] payment
- (g) Names and addresses of additional Paying Agent(s) (if any): [●]

9. GOVERNING LAW

As per General Condition 19.1

10. ADDITIONAL SPANISH TAX PROVISIONS

[Not Applicable/ *Describe*]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and endorsed upon each definitive Note. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to the "Form of the Securities" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

The Additional Terms and Conditions contained in Annex 1 in the case of Index Linked Notes, Annex 2 in the case of Equity Linked Notes, Annex 3 in the case of Inflation Linked Notes, Annex 4 in the case of Commodity Linked Notes, Annex 5 in the case of Fund Linked Notes, Annex 6 in the case of Credit Linked Notes, Annex 7 in the case of Custom Index Linked Notes, Annex 8 in the case of Foreign Exchange (FX) Rate Linked Notes (each as defined below) and any other annex which may be appended to the applicable Final Terms will apply to the Notes if so specified in the applicable Final Terms.

The information appearing below in this section "Terms and Conditions of the Notes" (which includes, for the avoidance of doubt, the additional terms and conditions contained in the Annexes hereto) and under the heading "Risk Factors", together with the applicable Final Terms constitutes the Securities Note prepared in accordance with Annex V (Minimum Disclosure Requirements for the Securities Note related to Debt securities (schedule)) - (Debt securities with a denomination per unit of less than EUR 50,000) and Annex XII (Minimum disclosure requirements for the securities note for derivative securities (schedule)) of Commission Regulation (EC) No. 809/2004.

The Notes (or, in the case of the Certificated Notes (as defined below), the Notes to which this Note relates) are issued by BBVA Senior Finance S.A. Unipersonal (the **Issuer**) in series (each a **Series**) and each Series may comprise one or more tranches (each a **Tranche**) of Notes. Each Tranche is subject to Final Terms (the **Final Terms**) which supplement these terms and conditions (the **Conditions**, such term including, for the avoidance of doubt, any Additional Terms and Conditions specified to apply to the Notes in the applicable Final Terms). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Certificated Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form and in registered form (**Registered Notes** and, together with Bearer Notes, **Certificated Notes**) (whether or not issued in exchange for a Global Note in registered form);
- (d) in respect of Notes in book-entry form (**Book-Entry Notes**), units of the lowest Specified Denomination in the Specified Currency.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of, and shall be issued in the form established in, the Agency Agreement (the **Agency Agreement**) dated February 15, 2011 made between the Issuer, Banco Bilbao Vizcaya Argentaria, S.A. as guarantor (the **Guarantor**) and as principal paying agent, Spanish paying agent, calculation agent, transfer agent and the registrar (the **Principal Paying Agent**, the **Spanish Paying Agent** (and, together with the Principal Paying Agent and any other paying agent specified in the applicable Final Terms, the **Paying Agents**), the **Calculation Agent**, the **Transfer Agent** and the **Registrar**, respectively, which expressions shall include, where applicable, any additional or successor principal paying agent, Spanish paying agent, calculation agent, transfer agent or registrar). The Paying Agents, the Calculation Agent, the Transfer Agent and the Registrar are referred to as the **Agents**.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes, Global Notes and Book-Entry Notes do not have Receipts, Coupons or Talons attached on issue.

The payment of all amounts in respect of the Notes have been guaranteed by the Guarantor pursuant to a Guarantee (the **Guarantee**) dated February 15, 2011 and executed by the Guarantor. The original of the Guarantee is held by the Issuer.

As regards Certificated Notes (a) any reference to **Noteholders** or **holders** in relation to any Certificated Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below; (b) and any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As regards Book-Entry Notes, any reference to **Noteholders** or **holders** in relation to Book-Entry Notes shall mean the persons registered in the central registry (the **Central Registry**) maintained by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal (Iberclear)* or in the registry maintained by the relevant member (*entidad adherida*) of Iberclear (**Iberclear Member**). Any reference herein to Receipts, Coupons and Talons and to their respective holders shall not be applicable.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated February 15, 2011 and made by the Issuer. The original of the Deed of Covenant is held by the Issuer.

Copies of the Guarantee, the Deed of Covenant, the Agency Agreement are/will be available for inspection during normal business hours at the specified office of each of the Principal Paying Agent and the Issuer. Copies of the applicable Final Terms will be available for viewing at the offices of the Issuer and the Guarantor (at Gran Vía, 1, Bilbao, Spain and Paseo de la Castellana, 81, 28046, Madrid, Spain) and copies may be obtained from the Principal Paying Agent at its specified office. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of all the

provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form, in registered form or in book-entry form as specified in the applicable Final Terms. Certificated Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Certificated Notes of one Specified Denomination may not be exchanged for Certificated Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa. Book-Entry Notes may not be exchanged for Certificated Notes and vice versa.

The Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Dual Currency Interest Note, a Note for which the interest payable (if any) is calculated by reference to one or more underlying reference assets or bases (each a **Reference Item**) specified in the applicable Final Terms, including Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Custom Index Linked Interest Notes and Foreign Exchange (FX) Rate Interest Linked Notes or a combination of any of the foregoing (each Note for which the interest is calculated by reference to one or more Reference Items, a **Reference Item Linked Interest Note**), or, subject to all applicable laws and regulations, any other type of Note, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note, a Note for which the redemption amount payable (if any) is calculated by reference to one or more Reference Items specified in the applicable Final Terms including an Index Linked Redemption Note (together with Index Linked Interest Notes, **Index Linked Notes**), an Equity Linked Redemption Note (together with Equity Linked Interest Notes, **Equity Linked Notes**), an Inflation Linked Redemption Note (together with Inflation Linked Interest Notes, **Inflation Linked Notes**), a Commodity Linked Redemption Note (together with Commodity Linked Interest Notes, **Commodity Linked Notes**), a Fund Linked Redemption Note (together with Fund Linked Interest Notes, **Fund Linked Notes**), a Credit Linked Note, a Custom Index Linked Redemption Note (together with Custom Index Linked Interest Notes, **Custom Index Linked Notes**) or a Foreign Exchange (FX) Rate Linked Redemption Note (together with Foreign Exchange (FX) Rate Linked Interest Notes, **Foreign Exchange (FX) Rate Linked Notes**) or a combination of any of the foregoing (each Note for which the redemption amount is calculated by reference to one or more Reference Items, a **Reference Item Linked Redemption Note**) or, subject to all applicable laws and regulations, any other type of Note depending upon the Redemption/Payment Basis shown in the applicable Final Terms. Reference Item Linked Interest Notes and Reference Item Linked Redemption Notes are together **Reference Item Linked Notes**.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as

otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by or on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes and, voting, giving consents and making requests, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

Except in relation to Notes indicated in the applicable Final Terms as being in NGN form or Registered Notes held under the NSS, references to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and Principal Paying Agent.

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

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

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

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Registered Global Note to a transferee in the United States or who is a U.S. person may not be made otherwise than pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such requirements will no longer apply to such transfers.

In these Conditions, **Distribution Compliance Period** means the period that ends 40 days after the completion of the distribution of each Tranche of Notes in reliance upon Regulation S under the United States Securities Act of 1933 as amended (the **Securities Act**), as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue).

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by, the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being scheduled to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the

Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under General Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE NOTES AND THE GUARANTEE

*Law 22/2003 of July 9, 2003 as amended from time to time (the **Insolvency Law**) came into force in Spain on September 1, 2004. Certain provisions in the Insolvency Law could affect the ranking of certain Notes on an insolvency of the Issuer or the Guarantor.*

In particular, from the entry into force of the Insolvency Law, and in accordance with the insolvency procedures regulated therein, creditors whose rights arise from a Spanish public document, including Noteholders, do not have a preference to enforce their rights and do not rank ahead of other creditors whose rights may be recognised by virtue of a document not so witnessed.

3.1 Status of the Notes

The Notes and any relative Coupons and Receipts will be direct, unconditional and unsecured obligations of the Issuer and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

In the event of insolvency (concurso) of the Issuer, under the Insolvency Law (as defined below), claims relating to Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.

3.2 Status of the Guarantee

The payment of principal and interest in respect of the Notes and any relative Coupons and Receipts and the payment of all amounts due in respect of the Notes and any relative Coupons and Receipts has been unconditionally and irrevocably guaranteed (*solidariamente*) by the Guarantor pursuant to the Guarantee.

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor.

In the event of insolvency (concurso) of the Guarantor, under the Insolvency Law, claims from Senior Noteholders will fall within the category of ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits will rank below credits against the insolvency state (créditos contra la masa) and privileged credits (créditos privilegiados) which shall be paid in full before ordinary credits. The claims of all creditors considered as ordinary credits against the Guarantor will be satisfied pro rata in insolvency. Ordinary credits will rank above subordinated credits.

4. INTEREST

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note or which are Book-Entry Notes, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note or Book-Entry Notes (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this General Condition 4.1:

if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:

- (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (i) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (ii) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

4.2 Interest on Floating Rate Notes and Reference Item Linked Interest Notes

(a) *Interest Payment Dates*

Each Floating Rate Note and Reference Item Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with General Condition 4.2(a)(ii), the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (b) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both: (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Madrid and any Additional Business Centre specified in the applicable Final Terms; and (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Reference Item Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (I) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Euro-zone inter-bank offered rate (**EURIBOR**), the first day of that Interest Period or (II) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) (the **Specified Time**) on the Interest Determination Date in question, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the

Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) (above), no offered quotation appears or, in the case of (B) (above), fewer than three offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

In these Conditions, **Reference Banks** means the banks so specified in the applicable Final Terms or, if not so specified, means in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro zone office of four major banks in the Euro-zone inter bank market, in each case selected by the Principal Paying Agent.

(c) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Reference Item Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Reference Item Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent and the Issuer of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Reference Item Linked Interest Notes will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Reference Item Linked Interest Notes (as the case may be) for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes or Reference Item Linked Interest Notes which are represented by a Global Note or which are Book-Entry Notes, the aggregate outstanding nominal amount of the Notes represented by such Global Note or Book-Entry Notes (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes or Reference Item Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or Reference Item Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this General Condition 4.2:

- (a) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (b) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (e) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

Y² is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M² is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (f) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

Y² is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M² is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (g) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

Y² is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M² is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (e) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent or, if applicable the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Reference Item Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with General Condition 13 as soon as possible after their determination but in no event later than the fourth Madrid Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or

Reference Item Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with General Condition 13. For the purposes of this paragraph, the expression **Madrid Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Madrid.

(f) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this General Condition 4.2, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

4.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with General Condition 13.

Provided that if Annex 6 (Additional Terms and Conditions for Credit Linked Notes) applies in respect of the Notes and

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

Provided Further That, if

- (1) Credit Linked Condition 5, Credit Linked Condition 6 or Credit Linked Condition 7 applies in respect of the Notes and, in the case of Credit Linked Condition 5, a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Credit Linked Condition 6, a Failure to Pay has not occurred on or prior to the Grace Period Extension Date or, in the case of Credit Linked Condition 7, a Credit Event has not occurred on or prior to the DC Cut-off Date, as the case may be; and/or
- (2) Credit Linked Condition 8 applies in respect of the Notes and Conditions to Settlement or the Repudiation/Moratorium Extension Condition, as applicable, are not satisfied on or prior to the Postponed Maturity Date,

then interest will accrue as provided in Credit Linked Condition 5, Credit Linked Condition 6, Credit Linked Condition 7 or Credit Linked Condition 8, as the case may be.

5. PAYMENTS AND EXCHANGE OF TALONS

5.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of General Condition 7.

5.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in General Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent. Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in General Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in General Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment

together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes, Fund Linked Redemption Notes, Commodity Linked Redemption Notes Inflation Linked Redemption Notes, Credit Linked Notes, Foreign Exchange (FX) Linked Redemption Notes, Custom Index Linked Redemption Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which, the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in General Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under General Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Redemption Note, Equity Linked Redemption Note, Fund Linked Redemption Note, Commodity Linked Redemption Note, Inflation Linked Redemption Note, Credit Linked Note, Foreign Exchange (FX) Linked Redemption Note, Custom Index Linked Redemption Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon, provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

5.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which

it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

5.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant payment date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant payment date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant payment date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the payment date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the payment date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted

in accordance with this Condition arriving after the payment date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.5 Payments in respect of Book-Entry Notes

Payments in respect of the Book-Entry Notes (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Noteholder maintained by or on behalf of it with a bank that processes payments in the currency in which the payment is due, details of which appear in the records of Iberclear, the relevant Iberclear Member or the Book-Entry Depository, as the case may be, at the close of business on the Business Day on which the payment of principal and/or interest, as the case may be, falls due. Noteholders must rely on the procedures of Iberclear, the relevant Iberclear member or the Book Entry Depository, as the case may be, to receive payments under the relevant Book-Entry Notes. None of the Issuer, the Guarantor, any Agent or any of the Dealers will have any responsibility or liability for the records relating to payments made in respect of the Book-Entry Notes.

All payment in respect of the Book-Entry Notes are subject in all case to any applicable fiscal or other laws and regulations in the place of payment, without prejudice to the provisions of General Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

5.6 General provisions applicable to payments on Certificated Notes

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid.

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note. No person other than the holder of the relevant Global Note shall have any claim against the Issuer or the Guarantor in respect of any payments due in respect of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

5.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to General Condition 5) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) the relevant place of presentation;
 - (ii) each Additional Financial Centre specified in the applicable Final Terms;
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, any Additional Financial Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open;

5.8 Interpretation of principal and interest

Any reference in the Conditions to interest means any amounts payable under General Condition 4 and any additional amounts which may be payable with respect to interest under General Condition 7.

Any reference in the Conditions to principal means all other amounts due in respect of the Notes.

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note, Equity Linked Redemption Note, Inflation Linked Redemption Note, Commodity Linked Redemption Note, Fund Linked Redemption Note, Credit Linked Note, Custom Index Linked Redemption Note and Foreign Exchange (FX) Rate Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner

specified in, the applicable Final Terms in the relevant Specified Currency. This Note may not be redeemed other than in accordance with the Conditions.

6.2 Redemption for tax reasons

This Condition applies if so specified in the applicable Final Terms. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with General Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in General Condition 7 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of Spain (as defined in General Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or, as the case may be, the Guarantor shall deliver to the Principal Paying Agent a certificate signed by two Directors of the Issuer (or if at the time that such certification is to be given the Issuer has only one Director, such certificate may be signed by such Director) or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this General Condition 6.2 will be redeemed at their Early Redemption Amount referred to in General Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified in the applicable Final Terms):

- (a) not less than five nor more than 30 days' notice to the Noteholders in accordance with General Condition 13 or such lesser period specified in the applicable Final Terms; and
- (b) not less than seven days before the giving of the notice referred to in (a), notice to the relevant Principal Paying Agent appointed in each issue and, in the case of a

redemption of Registered Notes, the Registrar or such lesser period specified in the applicable Final Terms,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms (the **Optional Redemption Date** and **Optional Redemption Amount** respectively) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. In the event of a redemption of some only of the Notes such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot in accordance with applicable Spanish law requirements, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, or in the case of Redeemed Notes that are represented by Book-Entry Notes, the rules of Iberclear or the Book-Entry Depository (as the case may be), not more than 30 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms) (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with General Condition 13 not less than 15 days prior to the date fixed for redemption (or such lesser period specified in the applicable Final Terms). No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this General Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with General Condition 13 at least five days prior to the Selection Date. The aggregate nominal amount of Redeemed Notes represented by Definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this General Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with General Condition 13 at least five days prior to the Selection Date.

In the case of Redeemed Notes represented by Book-Entry Notes, a list of the ISIN codes of such Redeemed Notes will be published in accordance with General Condition 13 not less than 15 day's prior to the date fixed for redemption (or such lesser period as may be specified in the applicable Final Terms).

6.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with General Condition 13 not less than 15 nor more than 30 days' notice (or such lesser period specified in the applicable Final Terms) (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem in whole but not in part, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if

appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms. To exercise the right to require redemption of this Note the holder of this Note must if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed. If the Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time, and, if this Note is a Bearer Note represented by a global Note, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent for notation accordingly. If the Note is represented by a Book-Entry Note held through Iberclear, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Iberclear (which may include notice being given on his instruction by Iberclear, or any Iberclear member to the Principal Paying Agent by electronic means) in a form acceptable to Iberclear from time to time. In the case of a Book-Entry Note held through a Book-Entry Depository, to exercise the right to require redemption of the Note, the holder of the Note must within the notice period, give notice to the Principal Paying Agent and the Spanish Paying Agent in accordance with the procedures agreed with such Book-Entry Depository.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, and/or Clearstream Luxembourg and/or Iberclear given by a holder of any Note pursuant to this General Condition 6.4 shall be irrevocable except where prior to the due date of redemption an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this General Condition 6.4 and instead to declare such Note forthwith due and payable pursuant to General Condition 9.

6.5 Early Redemption Amounts

For the purpose of General Condition 6.2 above and General Condition 9, each Note will be redeemed at its Early Redemption Amount which will be calculated as follows:

- (a) for any Note which is not a Reference Item Linked Note:
 - (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

- (b) for any Reference Item Linked Note, the Early Redemption Amount in respect of each nominal amount of Notes equal to the Calculation Amount which in the determination of the Calculation Agent represents the fair market value of such Notes (taking into account all factors which the Calculation Agent determines relevant) less Associated Costs (as defined below), and provided that, in the case of an early redemption following the occurrence of an Event of Default, no account shall be taken of the financial condition of the Issuer or the Guarantor, which shall each be presumed to be able to perform fully its obligations in respect of the Notes,

or, in either case, on such other calculation basis as may be specified in the applicable Final Terms.

As used in this General Condition 6.5:

Associated Costs means an amount per nominal amount of the Notes equal to the Calculation Amount equal to such Notes' pro rata share of the total amount of any and all costs associated or incurred by the Issuer, any Affiliate and/or Hedging Party in connection with such early redemption, including, without limitation, any costs associated with unwinding any funding relating to the Notes and any costs associated with unwinding any hedge positions relating to the Notes, all as determined by the Calculation Agent.

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.

Hedging Party means the Issuer and/or any Affiliate and/or any other party which conducts hedging arrangements in respect of the Issuer's obligations under the Notes from time to time. Such hedging arrangements may be carried out on a portfolio basis (i.e. where the hedging party maintains arrangements for hedging the Notes together with other obligations of the Issuer or its Affiliates).

6.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to General Condition 6.5 above.

6.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

6.8 Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Senior Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Senior Notes purchased as aforesaid may, at the option of the Guarantor, be held, reissued, resold or surrendered to any Paying Agent and/or the Registrar for cancellation except that all Senior Notes purchased by the Issuer must be surrendered for cancellation.

6.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to General Condition 6.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

6.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to General Conditions 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in General Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in General Condition 6.5(a)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with General Condition 13.

7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or authority thereof or therein having the power to tax (Spain) unless such withholding or deduction is required by law. In such event the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Spain other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in General Condition 5.7); or
- (c) presented for payment by or on behalf of a holder in respect of whom the Issuer or the Guarantor (or the Principal Paying Agent on its behalf) has not received all details concerning such holder's identity and tax residence as it requires in order to comply with Spanish Law 13/1985, of May 25 as amended by Law 19/2003 of July 4, 2003 and Law 23/2005 of November 18, 2005 and Royal Decree 1065/2007 of July 27, 2007, no later than 10.00 a.m. (CET) on the second Business Day prior to the 10th calendar day of the month following the relevant Interest Payment Date (the **Quick Refund Deadline**), (or if such date is not a day on which commercial banks are open for general business in Spain, the immediately preceding such date); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (f) presented for payment by or on behalf of a Spanish legal entity subject to Spanish Corporate Income Tax or by an individual or legal entity non resident in Spain, subject to Spanish Non-Resident Income Tax, operating in Spain through a permanent establishment to which the Notes are assigned, if the Spanish Tax Authorities determine that the Notes do not comply with the exemption requirements specified in Sections 59 q) and s) of the Royal Decree 1777/2004 of July 30, 2004 approving the Corporate Income Tax Regulations in the way that such requirements have been interpreted by the reply to the consultation of the Directorate General for Taxation on July 20, 2004 or if they change the interpretation held in the before mentioned reply and require a withholding to be made.

In these Conditions, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with General Condition 13.

See “Taxation – Disclosure of Noteholder Information in connection with Interest Payments” for a fuller description of certain tax considerations (particularly in relation to holders which are resident in Spain) relating to the Notes, the formalities which holders must follow in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Guarantor relating to the identity and tax residence of holders of Notes. Holders should note that if certain required information is not supplied in a timely fashion, they will not receive the full amount of interest due but may be entitled to obtain a refund of amounts withheld. See “Taxation”.

8. PRESCRIPTION

Claims for payment in respect of Notes (whether in bearer, registered or book-entry form), Receipts and Coupons will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in General Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or General Condition 5.2 or any Talon which would be void pursuant to General Condition 5.2.

9. EVENTS OF DEFAULT

If any of the following events (each an **Event of Default**) shall have occurred and be continuing:

- (a) a default is made for more than 14 days in the payment of any principal due in respect of any of the Notes or 21 days or more in the payment of any interest or other amount due in respect of any of the Notes; or
- (b) a default is made in the performance by the Issuer or the Guarantor of any other obligation under the provisions of the Notes or under the provisions of the Guarantee relating to the Notes and such default continues for more than 30 days following service by a Noteholder on the Issuer and the Guarantor of a notice requiring the same to be remedied; or
- (c) any Capital Markets Indebtedness of the Issuer or the Guarantor where the principal amount of such indebtedness is in any case in excess of U.S.\$50,000,000 or its equivalent in another currency or other currencies or any guarantee by the Issuer or the Guarantor of any Capital Markets Indebtedness of any other person is not (in the case of Capital Markets Indebtedness) paid when due (after whichever is the longer of 30 days after the due date and any applicable grace period therefor) or becomes prematurely due and repayable following a default on the part of, or an event of default with reference to, the Issuer or the Guarantor, or (in the case of a guarantee) honoured when called upon (after whichever is the longer of 30 days after the due date and any applicable grace period therefor); or
- (d) an order of any competent court or administrative agency is made or any resolution is passed by the Issuer for the winding-up or dissolution of the Issuer (other than for the

purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders); or

- (e) an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against the Guarantor or an order is made or a resolution is passed for the dissolution or winding-up of the Guarantor (except (i) in any such case for the purpose of a reconstruction or a merger or amalgamation which has been previously approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation is a Financial Institution (*entidad de crédito*) according to Royal Legislative Decree (*Real Decreto Legislativo*) 1298/1986 of June 28, as amended and restated) and will have a rating for long-term senior debt assigned by Standard & Poor's Rating Services, Moody's Investors Services or Fitch Ratings Ltd equivalent to or higher than the rating for long-term senior debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation); or
- (f) the Issuer or the Guarantor is adjudicated or found bankrupt or insolvent, or any order of any competent court or administrative agency is made for, or any resolution is passed by the Issuer or the Guarantor to apply for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor or of a substantial part of the assets of either of them (unless, in the case of an order for a temporary appointment, such appointment is discharged within 30 days); or
- (g) the Issuer or the Guarantor stops payment of its debts generally; or
- (h) the Issuer (except for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders) or the Guarantor (except (i) for the purpose of an amalgamation, merger or reconstruction approved by the Syndicate of Noteholders or (ii) where the entity resulting from any such reconstruction or merger or amalgamation will have a rating for long-term senior debt assigned by Standard & Poor's Rating Services or Moody's Investor Services equivalent to or higher than the rating for long-term senior debt of the Guarantor immediately prior to such reconstruction or merger or amalgamation) ceases or threatens to cease to carry on the whole or substantially the whole of its business; or
- (i) an encumbrancer takes possession of the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor or an application is made for the appointment of an administrative or other receiver, manager, administrator or similar official in relation to the Issuer or the Guarantor or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or the Guarantor, or a distress or execution is levied or enforced upon or sued out against any substantial part of the undertaking or assets of the Issuer or the Guarantor and is not discharged within 30 days; or
- (j) the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then (i) the holder of any Note may declare such Note or (ii) the Representative, acting on the instructions of the Syndicate of Noteholders, may (if then permitted by applicable Spanish law) declare all the Notes, in each case by written notice to the Issuer at the specified office of the Principal Paying Agent or the Registrar, as the case may be, effective upon the date of receipt thereof by the Principal Paying Agent or the Registrar, as the case may be, (in the case of paragraph (d) and, in relation to the Issuer only, (f) and (g) above, only if then permitted by

applicable Spanish Law) to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount (as described in General Condition 6.7), together with accrued interest (if any) to the date of repayment.

For the purpose of paragraphs (f), (h) and (i), a report by the auditors for the time being of the Issuer or the Guarantor, as the case may be, as to whether any part of the undertaking, business or assets of the Issuer or the Guarantor is “substantial” shall, in the absence of manifest error, be conclusive.

In these Conditions:

Capital Markets Indebtedness means any loan or other indebtedness of any person (other than Project Finance Indebtedness) which is in the form of or represented by any bonds, notes, depositary receipts or other securities for the time being quoted or listed, with the agreement of the Issuer and/or the Guarantor, on any stock exchange.

Project Finance Indebtedness means any present or future indebtedness incurred to finance the ownership, acquisition, development and/or operation of an asset, whether or not an asset of the Issuer or the Guarantor, in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not the Issuer or the Guarantor) is entitled to have recourse solely to such asset and revenues generated by the operation of, or loss or damage to, such asset.

10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Certificated Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent, a Spanish Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes and Book-Entry Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of such other stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which an Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become a successor agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of General Condition 7.

13. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in one leading daily newspaper of general circulation in the place of listing or in the manner specified in the applicable Final Terms. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, and/or Iberclear be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or Iberclear for communication by them to the holders of the Notes except that for so long as any Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or Iberclear.

Copies of any notices given to Noteholders shall also be given in writing to the representative of Noteholders named in the applicable Final Terms.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the relevant Principal Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the relevant Principal Paying Agent or the relevant Registrar through Euroclear and/or Clearstream, Luxembourg and/or Iberclear, as the case may be, in such manner as the relevant Principal Paying Agent, the relevant Registrar and Euroclear and/or Clearstream, Luxembourg and/or Iberclear, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS

By purchasing the Notes issued under this Programme, the holder hereof is deemed to have agreed to the appointment of the representative for the Series of which the Note forms part named in the applicable Final Terms (the **Representative** or **Comisario**) and to become a member of the syndicate of Noteholders (the **Syndicate**) of that Series.

The object of the Syndicate is to protect the legitimate interests of Noteholders as against the Issuer, in accordance with the applicable Spanish legislation. The address of the Syndicate is Paseo de la Castellana, 81, 28046 Madrid. The Syndicate shall exist until the Notes have been repaid and shall be automatically dissolved thereafter.

The Representative shall be the chairman and the legal representative of the Syndicate and shall take such action as it considers appropriate to protect the interests of the Noteholders.

The pro-forma regulations of the Syndicate (the **Regulations**) are scheduled to the Agency Agreement.

15. MODIFICATION AND WAIVER

The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law in the jurisdictions in which the Issuer or the Guarantor are incorporated,

provided that where such modification is prejudicial to the interests of the Noteholders or is not solely of a formal, minor or technical nature the proposed modification, shall only be made following prior notification to the Noteholders, Receiptholders or Couponholders in accordance with General Condition 13.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall, unless notified prior to the relevant modification, be notified to the Noteholders in accordance with General Condition 13 as soon as practicable thereafter.

16. SUBSTITUTION

16.1 Substitution of the Issuer

The Issuer may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it), be replaced and substituted by the Guarantor or any other company of which 100% of the shares or other equity interests (as the case may be) carrying the right to vote are directly or indirectly owned by the Guarantor as principal debtor (in such capacity, the **Substituted Debtor**) in respect of the Notes provided that:

- (a) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor, the Representative, the Issuer and (if the Substituted Debtor is not the Guarantor) the Guarantor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and (if the Substituted Debtor is not the Guarantor) pursuant to which the Guarantor shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee;
- (b) without prejudice to the generality of paragraph (a) above, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than Spain, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of General Condition 7 with the substitution for the references to Spain of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
- (c) the Documents shall contain a warranty and representation by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor that the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor have obtained all necessary governmental and regulatory approvals and consents for such substitution and (if the Substituted Debtor is not the Guarantor) for the giving by the Guarantor of the New Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Senior Guarantee that each of the Substituted Debtor and the Guarantor (if the Substituted Debtor is not the Guarantor) has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the Guarantor (if the

Substituted Debtor is not the Guarantor) of its obligations under the Documents and that all such approvals and consents are in full force and effect;

- (d) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes would continue to be listed on such stock exchange;
- (e) the Issuer shall have delivered or procured the delivery to the Representative, the relevant Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of lawyers in the country of incorporation of the Substituted Debtor, to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion(s) to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the relevant Paying Agent and the relevant Registrar;
- (f) the Guarantor shall have delivered or procured the delivery to the Representative, the relevant Paying Agent and the relevant Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of Spanish lawyers acting for the Guarantor to the effect that in the case where the Substituted Debtor is not the Guarantor, the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the relevant Paying Agent and the relevant Registrar;
- (g) the Guarantor shall have delivered or procured the delivery to the Representative, the relevant Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Guarantor in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified offices of the relevant Paying Agent and the relevant Registrar;
- (h) the Substituted Debtor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of, or in connection with, the Notes or the Documents;
- (i) there is no outstanding Event of Default in respect of the Notes;
- (j) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes; and
- (k) the substitution complies with all applicable requirements established under Spanish law.

Upon the execution of the Documents as referred to in paragraph (a) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents

shall operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes.

The Documents shall be deposited with and held by the relevant Paying Agent and the relevant Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Guarantor) the Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.

Not later than 15 London Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with General Condition 13.

16.2 Substitution of the Guarantor

The Guarantor may, without the consent of the Noteholders (and by subscribing any Notes, each Noteholder expressly consents to it), be replaced and substituted by another company incorporated anywhere in the world as the guarantor (in such capacity, the **Substituted Guarantor**) in respect of the Notes provided that:

- (a) a deed poll and such other documents (if any) shall be executed by the Guarantor and the Substituted Guarantor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Guarantor shall undertake in favour of each Noteholder to be bound by the Conditions and the provisions of the relevant Agency Agreement (if any), and the Senior Guarantee as fully as if the Substituted Guarantor had been named in the Notes, the Agency Agreement and the Senior Guarantee as the guarantor in respect of the Notes in place of the Guarantor (or any previous substitute) and pursuant to which the Substituted Guarantor shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Issuer as such principal debtor on the same terms *mutatis mutandis* as the Senior Guarantee;
- (b) the Documents shall also contain a covenant by the Substituted Guarantor to indemnify and hold harmless each Noteholder against all liabilities, costs, charges and expenses provided that insofar as the liabilities, costs, charges and expenses are taxes or duties, the same arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
- (c) the Documents shall contain a warranty and representation by the Substituted Guarantor that the Substituted Guarantor has obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Substituted Guarantor of the New Guarantee, that the Substituted Guarantor has obtained all necessary governmental and regulatory approvals and consents for the

performance by the Substituted Guarantor of its obligations under the Documents and that all such approvals and consents are in full force and effect;

- (d) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Guarantor such Notes would continue to be listed on such stock exchange;
- (e) the Guarantor shall have delivered or procured the delivery to the Representative, the relevant Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of lawyers in the country of incorporation of the Substituted Guarantor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the relevant Paying Agent and the relevant Registrar;
- (f) the Substituted Guarantor shall have delivered or procured the delivery to the Representative, the relevant Paying Agent and the relevant Registrar of a copy of a legal opinion addressed to the Guarantor, the Issuer and the Substituted Debtor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee given by the Substituted Guarantor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders at the specified offices of the relevant Paying Agent and the relevant Registrar;
- (g) the Substituted Guarantor shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of, or in connection with, the Notes or the Documents;
- (h) there is no outstanding Event of Default in respect of the Notes;
- (i) the Substituted Guarantor has ratings for long-term senior and subordinated debt assigned by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. or Moody's Investors Service, Inc. which are the same as or higher than the credit rating for long-term senior and subordinated debt of the Guarantor or any previous Substituted Guarantor immediately prior to such substitution; and
- (j) the substitution complies with all applicable requirements established under Spanish law.

Upon the execution of the Documents as referred to in paragraph (a) above, the Substituted Guarantor shall be deemed to be named in the Notes as the guarantor in place of the Guarantor (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Guarantor (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes and the Guarantees.

The Documents shall be deposited with and held by the relevant Paying Agent and the relevant Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted

Guarantor shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.

Not later than 15 London Business Days after the execution of the Documents, the Substituted Guarantor shall give notice thereof to the Noteholders in accordance with General Condition 13.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders create and issue further Notes having the same terms and conditions as the Notes (or in all respects save for the amount and date of the first payment of interest thereon) so as to form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

- (a) The issue of the Book-Entry Notes, including their legal nature (*obligaciones*), the status of the Book-Entry Notes and the status of the Guarantee in respect of them (General Condition 3), the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner (General Condition 14) and the constitution of the Syndicate of Holders of the Book-Entry Notes will be governed by Spanish law. Subject as provided above, the terms and conditions of the Book-Entry Notes, all related contractual documentation and any non-contractual obligations arising out of or in connection with the Book-Entry Notes and all related contractual documentation will be governed by, and shall be construed in accordance with, English law.
- (b) The Issue of the Certificated Notes, including their legal nature (*obligaciones*), the status of the Certificated Notes and the status of the Guarantee in respect of them (General Condition 3), the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner (General Condition 14) and the constitution of the Syndicate of Holders of the Certificated Notes will be governed by Spanish law. Subject as provided above, the terms and conditions of the Certificated Notes, all related contractual documentation and any non-contractual obligations arising out of or in connection with the Certificated Notes and all related contractual documentation will be governed by, and shall be construed in accordance with, English law.

19.2 Submission to jurisdiction

The Issuer agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of, or in connection with, the Notes, the Receipts and the Coupons (including any Proceedings relating to any

non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction.

19.3 Appointment of Process Agent

The Issuer appoints the Guarantor at its registered office for the time being in England as its agent for the service of process, and undertakes that, in the event of the Guarantor ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for the service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other matter permitted by law.

ANNEX 1

ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

*If specified as applicable in the applicable Final Terms, the terms and conditions applicable to Index Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Index Linked Notes set out below (the **Index Linked Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Index Linked Conditions, the Index Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Index Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

1. **Market Disruption**

Market Disruption Event means:-

- (a) in respect of a Composite Index either:
 - (i) (a) the occurrence or existence, in respect of any Component Security, of:
 - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index would trigger respectively the Knock-in Event or the Knock-out Event or (b) in all other circumstances ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index would trigger respectively the Knock-in Event or the Knock-out Event or (b) in all other circumstances ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (3) an Early Closure in respect of such Component Security; and
 - (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of such Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to such Index, of: (1) a Trading Disruption; (2) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the

level of such Index would trigger respectively the Knock-in Event or the Knock-out Event or (b) in all other circumstances ends at the Valuation Time in respect of the Related Exchange; or (3) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security to (y) the overall level of such Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market opening data; and

- (b) in the case of Indices other than Composite Indices, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index triggers respectively the Knock-in Level or the Knock-out Level or (b) in all other circumstances ends at the relevant Valuation Time, or (iii) an Early Closure.

For the purposes of determining whether a Market Disruption Event in respect of such Index exists at any time, if a Market Disruption Event occurs in respect of a security included in such Index at any time, then the relevant percentage contribution of that security to the level of such Index shall be based on a comparison of (x) the portion of the level of such Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with General Condition 13 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day would have been the Strike Date, an Averaging Date, an Observation Date, an Automatic Early Redemption Valuation Date or a Valuation Day, as the case may be, or on any Knock-in Determination Day or Knock-out Determination Day, as the case may be.

2. **Adjustments to an Index**

- (a) **Successor Index Sponsor Calculates and Reports an Index**

If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (the **Successor Index Sponsor**) acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the **Successor Index**) will be deemed to be the Index.

- (b) **Modification and Cessation of Calculation of an Index**

If (i) on or prior to the last Averaging Date, last Observation Date, last Valuation Date, the last Knock-in Determination Day, the last Knock-out Determination Day, the last Strike Date, or the last Automatic Early Redemption Valuation Date, the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way

materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an **Index Modification**), or permanently cancels a relevant Index and no Successor Index exists (an **Index Cancellation**), or (ii) on an Averaging Date, an Observation Date, a Valuation Date, a Strike Date, an Automatic Early Redemption Date, a Valuation Date, a Knock-in Determination Day or Knock-out Determination Day, the Index Sponsor or (if applicable) the Successor Index Sponsor fails to calculate and announce a relevant Index (an **Index Disruption** and, together with an Index Modification and an Index Cancellation, each an **Index Adjustment Event**), then:

- (i) the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Valuation Date, Observation Date, Averaging Date, a Strike Date, Automatic Early Redemption Date, a Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event; or
 - (ii) unless Delayed Redemption on Occurrence of Index Adjustment Event is specified as being applicable in the applicable Final Terms, on giving notice to Noteholders in accordance with General Condition 13, the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of a Note taking into account the Index Adjustment Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
 - (iii) if Delayed Redemption on Occurrence of Index Adjustment Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Index Adjustment Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Index Adjustment Amount**) as soon as practicable following the occurrence of the Adjustment Event (the **Calculated Index Adjustment Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Index Adjustment Amount plus interest accrued on the Calculated Index Adjustment Amount on a daily basis from and including the Calculated Index Adjustment Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, at its nominal amount.
- (c) Notice

The Calculation Agent shall, as soon as practicable, notify the relevant Agent of any determination made by it pursuant to paragraph (b) above and the action proposed to

be taken in relation thereto and such Agent shall make available for inspection by Noteholders copies of any such determinations.

3. **Correction of Index**

With the exception of any corrections published after the day which is three Exchange Business Days prior to the due date for any payment under the Notes calculated by reference to the level of an Index, if the relevant level of the Index published on a given day which is used or to be used by the Calculation Agent to make any determination under the Notes is subsequently corrected and the correction is published by the relevant Index Sponsor or (if applicable) the relevant Successor Index Sponsor, (i) in respect of a Composite Index, no later than five Exchange Business Days following the date of the original publication or, (ii) in respect of an Index which is not a Composite Index, within the number of days equal to the Index Correction Period of the original publication, the level to be used shall be the level of the Index as so corrected. Corrections published after the day which is three Exchange Business Days prior to a due date for payment under the Notes calculated by reference to the level of the Index will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

4. **Additional Disruption Events**

- (a) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (if applicable) (iii) below:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
 - (ii) unless Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the applicable Final Terms, redeem the Notes by giving notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
 - (iii) if Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Additional Disruption Amount**) as soon as practicable following the occurrence of the Additional Disruption Event (the **Calculated Additional Disruption Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Additional Disruption Amount plus interest accrued on the Calculated Additional Disruption Amount on a daily basis from and including the Calculated Additional Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a

rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, at its nominal amount.

- (b) Upon the occurrence of an Additional Disruption Event, if the Calculation Agent determines that an adjustment in accordance with the above provisions is necessary it shall notify the Issuer thereof as soon as practicable and the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 13 stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event.

5. **Knock-in Event and Knock-out Event**

- (a) If **Knock-in Event** is specified as applicable in the applicable Final Terms, then, unless otherwise specified in such Final Terms, payment under the relevant Notes subject to a Knock-in Event shall be subject to the condition precedent that a Knock-in Event has occurred.
- (b) If **Knock-out Event** is specified as applicable in the applicable Final Terms, then, unless otherwise specified in such Final Terms, payment under the relevant Notes subject to a Knock-out Event shall be subject to the condition precedent that a Knock-out Event has not occurred.
- (c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Valuation Time the level of the Index triggers the Knock-in Level or the Knock-out Level, a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred; provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the level of the Index as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.
- (d) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is any time or period of time other than the Valuation Time during the regular trading hours on the relevant Exchange and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one-hour period that begins or ends at the time on which the level of the Index triggers the Knock-in Level or the Knock-out Level, a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the level of the Index as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

(e) Definitions

Unless otherwise specified in the applicable Final Terms:

Knock-in Determination Day means the date(s) specified as such in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-in Determination Period.

Knock-in Determination Period means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

Knock-in Event means

- (i) in respect of a single Index, that the level of the Index determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is; and
 - (ii) in respect of a Basket of Indices, that the amount determined by the Calculation Agent equal to (1) the sum of, in respect of each Index, the product of (x) the level of such Index as of the Knock-in Valuation Time on any Knock-in Determination Day and (y) the relevant Weighting, or (2) the Relative Performance Basket, is:
 - (A) (a) greater than,
 - (b) greater than or equal to,
 - (c) less than or
 - (d) less than or equal tothe Knock-in Level; or
 - (B) within the Knock-in Range Level,
- (A)(a), (b), (c) or (d) or (B) applying as specified in the applicable Final Terms.

Knock-in Level means (i) in the case of a single Index, the level of the Index and (ii) in case of a Basket of Indices, the level, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Index Linked Condition 2 (Adjustments to an Index).

Knock-in Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-in Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-in Range Level means the range of levels specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Index Linked Condition 2 (Adjustments to an Index);

Knock-in Valuation Time means the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

Knock-out Determination Day means the date(s) as specified in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-out Determination Period.

Knock-out Determination Period means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

Knock-out Event means

(A) in respect of a single Index, that the level of the Index determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is; and

(B) in respect of a Basket of Indices, that the amount determined by the Calculation Agent equal to (1) the sum of, in respect of each Index, the product of (x) the level of such Index as of the Knock-out Valuation Time on any Knock-out Determination Day and (y) the relevant Weighting, or (2) the Relative Performance Basket, is:

(i) greater than, (ii) greater than or equal to, (iii) less than, or (iv) less than or equal to the Knock-out Level.

(i), (ii), (iii) or (iv) applying as specified in the applicable Final Terms.

Knock-out Level means (i) in the case of a single Index the level of the Index and (ii) in the case of a Basket of Indices, the level, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions of Index Linked Condition 2 above.

Knock-out Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Valuation Time means the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

6. **Automatic Early Redemption Event**

If **Automatic Early Redemption Event** is specified as applicable in the Final Terms, then unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Issuer shall redeem each Note at an amount in the relevant currency specified in the applicable Final Terms equal to the relevant Automatic Early Redemption Amount.

Definitions

Unless otherwise specified in the applicable Final Terms:

Automatic Early Redemption Amount means (a) an amount in the Specified Currency specified in the applicable Final Terms or if such amount is not specified, (b) the product of (i) the denomination of each Note and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date.

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms or if such date is not a Business Day, the next following Business Day, and no Noteholder shall be entitled to any interest or further payment in respect of such delay.

Automatic Early Redemption Event means

- (i) in case of Notes relating to a single Index that the level of the Index determined by the Calculation Agent as of the Valuation Time on any Automatic Early Redemption Valuation Date is; and
- (ii) in the case of Notes relating to a Basket of Indices, the amount determined by the Calculation Agent equal to (1) the sum of, in respect of each Index, the product of (x) the level of such Index as determined by the Calculation Agent as of the Valuation Time on any Automatic Early Redemption Valuation Date and (y) the relevant Weighting, or (2) the Relative Performance Basket, is:
 - (a) greater than;
 - (b) greater than or equal to;
 - (c) less than; or
 - (d) less than or equal to,the Automatic Early Redemption Level,
 - (a), (b), (c) or (d) applying as specified in the Final Terms.

Automatic Early Redemption Level means the level of the Index specified as such or otherwise determined in the applicable Final Terms, subject to Adjustment to an Index set forth in Index Linked Condition 2 above.

Automatic Early Redemption Rate means, in respect of any Automatic Early Redemption Date, the rate specified as such in the applicable Final Terms.

Automatic Early Redemption Valuation Date means each date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the Automatic Early Redemption Valuation Date shall be delayed in accordance with the corresponding provisions of the definition of Valuation Date which shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

7. Definitions

Additional Disruption Event means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and/or Loss of Stock Borrow, in each case if specified in the applicable Final Terms.

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

Averaging Date means each date specified as an Averaging Date in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) if **Omission** is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of **Valuation Date** will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **Postponement** is specified as applying in the applicable Final Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **Modified Postponement** is specified as applying in the applicable Final Terms then:
 - (i) where the Notes are Index Linked Notes relating to a single Index, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below;

- (ii) where the Notes are Index Linked Notes relating to a Basket of Indices, the Averaging Date for each Index shall be the first succeeding Valid Date in relation to every Index forming part of the Basket of Indices. If the first succeeding Valid Date in relation to every Index forming part of the Basket of Indices has not occurred for a number of consecutive Scheduled Trading days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date) in respect of every Index forming part of the Basket of Indices, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with subparagraph (b)(ii) of the definition of Valuation Date below; and
- (iii) for the purposes of these Terms and Conditions **Valid Date** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

Basket of Indices means (i) a basket composed of each Index specified in the applicable Final Terms subject to the Weightings, or (ii) a Relative Performance Basket.

Change of Law means that, on or after the Trade Date (as specified in the applicable Final Terms) (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in its sole and absolute discretion that (A) it has become illegal to hold, acquire or dispose of any relevant hedge positions relating to an Index and/or (B) the Issuer will incur a materially increased cost in performing its obligations in relation to the Index Linked Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

Clearance System means the principal domestic clearance system customarily used for settling trades in the relevant securities.

Clearance System Business Days means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event results in the Clearance System being unable to clear the transfer of a relevant security would have been) open for the acceptance and execution of settlement instructions.

Component Security means, in respect of a Composite Index, each component security of such Index.

Composite Index means any Index specified as such in the applicable Final Terms, or if not specified, any Index the Calculation Agent determines as such.

Disrupted Day means:

- (a) in the case of a Composite Index, any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred; and

- (b) in the case of any Index which is not a Composite Index, any Scheduled Trading Day on which (i) the relevant Exchange and/or any Related Exchange fails to open for trading during their regular trading session or (ii) a Market Disruption Event has occurred.

Early Closure means:

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day; and
- (b) in the case of any Index which is not a Composite Index, the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of such Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

Exchange means:

- (a) in the case of a Composite Index, in respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent; and
- (b) in the case of any Index which is not a Composite Index, in respect of such Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means either (i) in the case of a single Index, Exchange Business Day (Single Index Basis) or (ii) in the case of a Basket of Indices, (a) Exchange Business Day (All Indices Basis) or (b) Exchange Business Day (Per Index Basis), in each case as specified in the applicable Final Terms, provided that if no such specification is made in the applicable Final Terms, Exchange Business Day (All Indices Basis) shall apply.

Exchange Business Day (All Indices Basis) means any Scheduled Trading Day on which (i) in respect of all Indices other than Composite Indices, each Exchange and each Related Exchange are open for trading during their respective regular trading sessions in respect of such Indices, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (ii) in respect of all Composite Indices, (a) the Index Sponsor publishes the level of such Composite Indices and (b) each Related Exchange (if any) is open

for trading during its regular trading session in respect of such Composite Indices, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

Exchange Business Day (Per Index Basis) means in respect of any Index:

- (a) in the case of any Composite Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of such Composite Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding such Related Exchange closing prior to its Scheduled Closing Time; and
- (b) in any other case, any Scheduled Trading Day on which the relevant Exchange and Related Exchange in respect of such Index are open for trading during their respective regular trading session(s), notwithstanding any such Exchange or Related Exchange closing prior to their Scheduled Closing Time.

Exchange Business Day (Single Index Basis) means any Scheduled Trading Day on which (i) in respect of all Indices other than a Composite Index, the relevant Exchange and the relevant Related Exchange, if any, are open for trading during their regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its Scheduled Closing Time and (ii) in respect of a Composite Index (a) the relevant Index Sponsor publishes the level of such Composite Index and (b) the relevant Related Exchange, if any, is open for trading during their regular trading session in respect of such Composite Index, notwithstanding such Related Exchange closing prior to its Scheduled Closing Time.

Exchange Disruption means in respect of any Index:

- (a) in the case of any Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (A) any Component Security on the Exchange in respect of such Component Security; or (B) in futures or options contracts relating to such Index on the Related Exchange; and
- (b) in the case of any Index which is not a Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for on any relevant Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange.

Hedging Disruption means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer, issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

Hedging Shares means the number of securities comprised in an Index that the Issuer and/or any of its Affiliates deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.

Increased Cost of Hedging means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of

tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer, and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

Increased Cost of Stock Borrow means that the Issuer and/or any of its Affiliates would incur a rate to borrow any security comprised in an Index that is greater than the Initial Stock Loan Rate.

Index and **Indices** mean, subject to adjustment in accordance with these Index Linked Conditions, the index or indices specified in the applicable Final Terms and related expressions shall be construed accordingly.

Index Correction Period means (a) the period specified in the applicable Final Terms, or (b) if none is so specified, one Settlement Cycle.

Index Sponsor means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index in the applicable Final Terms.

Initial Stock Loan Rate means, in respect of a security comprised in an Index, the initial stock loan rate specified in relation to such security in the applicable Final Terms.

Loss of Stock Borrow means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any securities comprised in an Index in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

Maximum Stock Loan Rate means, in respect of a security comprised in an Index, the Maximum Stock Loan Rate specified in the applicable Final Terms.

Observation Date means each date specified as an Observation Date in the applicable Final Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to Omission, Postponement or Modified Postponement, as the case may be, contained in the definition of Averaging Date shall apply *mutatis mutandis* as if references in such provisions to Averaging Date were to Observation Date.

Observation Period means the period specified as the Observation Period in the applicable Final Terms.

Related Exchange means, in relation to an Index, each exchange or quotation system on which option contracts or futures contracts relating to such Index are traded, or each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable

liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where All Exchanges is specified as the Related Exchange in the applicable Final Terms, **Related Exchange** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

Relative Performance Basket means a value in relation to a basket composed of each Index, such value as specified in the applicable Final Terms where no weighting shall be applicable and where the Final Redemption Amount and/or Interest Amount and/or the occurrence of a Knock-in Event and/or a Knock-out Event and/or an Automatic Early Redemption Event shall be determined by reference to (i) the Index which is either the best performing or the worst performing, or (ii) any other performance measure that is applied to the Indices, in each case as specified in the applicable Final Terms;

Relevant Price means, unless otherwise specified in the applicable Final Terms, and subject as referred to in relation to Strike Date, Averaging Date, Observation Date, Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day as the case may be:

- (a) in the case of Index Linked Notes relating to a single Index, an amount equal to the official closing level of the Index or, in relation to a Composite Index, the official closing level of such Index as published by the relevant Index Sponsor, in each case as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on (i) if Averaging is not specified in the applicable Final Terms, the relevant Settlement Price Date, or (ii) if Averaging is specified in the applicable Final Terms, each Averaging Date; and
- (b) in the case of Index Linked Notes relating to a Basket of Indices, the sum of, in respect of each Index comprising the Basket of Indices, (a) the official closing level of such Index or, in relation to a Composite Index, the official closing level of such Index as published by the relevant Index Sponsor, in each case as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of such Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on (i) if Averaging is not specified in the applicable Final Terms, the relevant Settlement Price Date or (ii) if Averaging is specified in the applicable Final Terms, each Averaging Date, multiplied by (b) the relevant Weighting, or if applicable, taking into account the relevant Relative Performance Basket.

Scheduled Closing Time means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours subject as provided in Valuation Time below.

Scheduled Strike Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Strike Date.

Scheduled Trading Day means either (i) in the case of a single Index, Scheduled Trading Day (Single Index Basis) or (ii) in the case of a Basket of Indices, (a) Scheduled Trading Day (All Indices Basis) or (b) Scheduled Trading Day (Per Index Basis), in each case as specified in the applicable Final Terms, provided that if no such specification is made in the applicable Final Terms, Scheduled Trading Day (All Indices Basis) shall apply.

Scheduled Trading Day (All Indices Basis) means (i) in respect of each Index which is not a Composite Index, any day on which each Exchange and each Related Exchange in respect of each such Index are scheduled to be open for trading during their respective regular trading session(s), and (ii) in respect of each Composite Index, any day on which (a) the Index Sponsor is scheduled to publish the level of each such Composite Index and (b) each Related Exchange is scheduled to be open for trading during its regular trading session in respect of such Composite Index.

Scheduled Trading Day (Per Index Basis) means:

- (a) in respect of an Index other than a Composite Index, any day on which the relevant Exchange and Related Exchange in respect of such Index are scheduled to be open for trading for their respective regular trading session(s); and
- (b) in respect of any Composite Index, any day on which (i) the Index Sponsor is scheduled to publish the level of such Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

Scheduled Trading Day (Single Index Basis) means any day on which (i) in respect of an Index other than a Composite Index, the relevant Exchange and the relevant Related Exchange, if any, are scheduled to be open for trading during their respective regular trading session(s), and (ii) in respect of a Composite Index (a) the relevant Index Sponsor is scheduled to publish the level of such Composite Index and (b) the relevant Related Exchange, if any, is scheduled to be open for trading during its regular trading session in respect of such Composite Index.

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Screen Page means the page specified in the applicable Final Terms, or any successor page or service thereto.

Settlement Cycle means, in respect of an Index, the period of Clearance System Business Days following a trade in the securities comprising such Index on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

Settlement Price means, unless otherwise specified in the applicable Final Terms and subject as referred to in Strike Date, Averaging Date, Observation Date, Valuation Date, Automatic Early Redemption Valuation Date or Index Linked Condition 5 as the case may be:

- (a) in the case of Index Linked Notes relating to a single Index, (i) if Averaging is not specified in the applicable Final Terms, the Relevant Price for the relevant Settlement Price Date, or (ii) if Averaging is specified in the applicable Final Terms, the arithmetic mean of the Relevant Prices of the Index on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner; and
- (b) in the case of Index Linked Notes relating to a Basket of Indices, (i) if Averaging is not specified in the applicable Final Terms, the Relevant Price for the relevant Settlement Price Date, or (ii) if Averaging is specified in the applicable Final Terms, the arithmetic mean of the Relevant Prices of the Basket of Indices on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

Settlement Price Date means the Strike Date, an Observation Date, the last Averaging Date, the Valuation Date, the Automatic Early Redemption Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be.

Specified Maximum Days of Disruption means three (3) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the applicable Final Terms.

Strike Date means the Strike Date specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Index Linked Notes relating to a single Index, the Strike Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Strike Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Strike Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the relevant level in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the relevant level by determining the level of the Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day); or
- (b) in the case of Index Linked Notes relating to a Basket of Indices, the Strike Date for each Index, shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any Index forming part of the Basket of Indices unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Strike Date is a Disrupted Day relating to any Index of the Basket of Indices. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Strike Date for each Index of the Basket of Indices, notwithstanding the fact that such day is a Disrupted Day with respect to any Index, and (ii) the Calculation Agent shall determine the relevant level or price using, in relation to the relevant affected Index, the level or value as applicable, determined in the manner set out in the applicable Final Terms, or, if not set out or if not practicable, using the level of that Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day) and otherwise in accordance with the above provisions.

Trading Disruption means:

- (a) in the case of an Index which is not a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to securities that comprise 20 per cent. or more of the level of such Index on any relevant Exchange(s) or (b) in futures or options contracts relating to such Index on any relevant Related Exchange; and
- (b) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

Valuation Date means the Coupon Valuation Date and/or the Redemption Valuation Date, as the case may be, specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Index Linked Notes relating to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the Settlement Price by determining the level of the Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day); or
- (b) in the case of Index Linked Notes relating to a Basket of Indices, the Valuation Date for each Index, shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any Index forming part of the Basket of Indices unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day in respect of Index of the Basket of Indices. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for each Index of the Basket of Indices, notwithstanding the fact that such day is a Disrupted Day with respect to any Index, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the relevant affected Index, the level or value as applicable, determined in the manner set out in the applicable Final Terms, or, if not set out or if not practicable, using the level of that Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the

occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day) and otherwise in accordance with the above provisions; and

Valuation Time means:

- (a) the Coupon Valuation Time or the Valuation Time, as the case may be, specified in the applicable Final Terms; or
- (b) if not specified in the applicable Final Terms
 - (i) in the case of a Composite Index, means in respect of such Index: (A) for the purposes of determining whether a Market Disruption Event has occurred: (x) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (y) in respect of any options contracts or futures contracts on the Index, the close of trading on the Related Exchange; and (B) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor; or
 - (ii) in the case of any Index which is not a Composite Index, means the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the specified Coupon Valuation Time or Valuation Time, as the case may be, is after the actual closing time for its regular trading session, then the Coupon Valuation Time or Valuation Time, as the case may be, shall be such actual closing time.

Weighting means the weighting to be applied to each item comprising the Basket of Indices as specified in the applicable Final Terms.

8. **Index Disclaimer**

The Index Linked Notes are not sponsored, endorsed, sold or promoted by any Index or any Index Sponsor and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Index Linked Notes. The Issuer shall have no liability to the Noteholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor its Affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Indices from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no

responsibility is accepted by the Issuer, its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

ANNEX 2

ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

*If specified as applicable in the applicable Final Terms, the terms and conditions applicable to Equity Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Equity Linked Notes set out below (the **Equity Linked Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Equity Linked Conditions, the Equity Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Equity Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

1. **Market Disruption**

Market Disruption Event means, in relation to Equity Linked Notes relating to a single Share or a Basket of Shares, in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent in its sole and absolute discretion, determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event, begins or ends at the time when the level of the relevant Share triggers respectively the occurrence of the Knock-in Event or the Knock-out Event or (b) in all other circumstances that ends at the relevant Valuation Time, or (iii) an Early Closure.

The Calculation Agent shall give notice as soon as practicable to the Issuer, the Guarantor, the Principal Paying Agent and the Noteholders in accordance with General Condition 13 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been the Strike Date, an Averaging Date, an Observation Date, an Automatic Early Redemption Valuation Date or a Valuation Date, as the case may be, or on a Knock-in Determination Day or a Knock-out Determination Day, as the case may be.

2. **Potential Adjustment Events and Extraordinary Events**

(a) **Potential Adjustment Events**

Potential Adjustment Event means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;

- (iii) an extraordinary dividend as determined by the Calculation Agent;
- (iv) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;
- (v) a repurchase by the Basket Company or its subsidiaries or Share Company or its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of a Basket Company or Share Company, as the case may be, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, certificates, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent;
- (vii) any adjustment effected as a result of any shareholder rights plan or arrangement as described in (vi) above; or
- (viii) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative or other effect on the theoretical value of the relevant Shares.

Potential Adjustment Event Effective Date means, in respect of a Potential Adjustment Event, the date on which such Potential Adjustment Event is announced by the relevant Basket Company or Share Company, as the case may be, as determined by the Calculation Agent in its sole and absolute discretion.

Following the declaration by the Basket Company or Share Company, as the case may be, of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with General Condition 13, stating the adjustment to the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event and the Potential Adjustment Event Effective Date.

(b) Extraordinary Events

- (A) The occurrence of any of De-Listing, Insolvency, Merger Event, Nationalisation, Tender Offer (unless Tender Offer is specified as not applicable in the applicable Final Terms), or, if specified as applicable in the applicable Final Terms, Illiquidity, Listing Change or Listing Suspension, as the case may be, shall be deemed to be an **Extraordinary Event**, the consequences of which are set forth in Equity Linked Condition 2(b)(B) below:

De-Listing means, in respect of any relevant Shares, that the Exchange announces pursuant to the rules of such Exchange, that such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on (i) where the Exchange is located in the United States, any of the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market System (or their respective successors) or (ii) a comparable exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

Illiquidity means, in respect of Equity Linked Notes that, in the determination of the Calculation Agent, during any period of five consecutive Scheduled Trading Days falling after the Issue Date (the **Relevant Period**), (a) the difference between the bid prices and the ask prices in respect of any relevant Share during the Relevant Period is greater than 1% (on average), and/or (b) the average purchase price or the average selling price, (each of (a) and (b) determined by the Calculation Agent from the order book of the relevant Share on the relevant Exchange during the Relevant Period), in relation to the purchase or sale of Shares with a value equal to or greater than EUR 10,000.00, is greater than MID plus 1% of MID (in relation to a purchase of Shares) or lower than the MID minus 1% of MID (in relation to a sale of Shares). For these purposes, **MID** means an amount equal to (a) the sum of the bid price and the ask price, in each case for the relevant Share at the relevant time, (b) divided by two.

Insolvency means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them.

Listing Change means, in respect of any relevant Shares, that such Shares cease (or will cease) to be listed, traded or publicly quoted on the listing compartment or the relevant market of the Exchange on which such Shares were listed, traded or publicly quoted on the Issue Date, for any reason (other than a Merger Event or Tender Event or where this is a De-Listing).

Listing Suspension means, in respect of any relevant Shares, that the listing of such Shares on the Exchange has been suspended (other than where this is a De-Listing).

Merger Event means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share

Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the relevant Extraordinary Event Effective Date is on or before the latest of the last occurring Valuation Date, Strike Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or, where Averaging is specified in the applicable Final Terms, the final Averaging Date.

Nationalisation means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise transferred to any governmental agency, authority, entity or instrumentality thereof.

Tender Offer means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 30 per cent. and less than 100 per cent. (the **Percentage Range**) of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

(B) Consequences of the occurrence of an Extraordinary Event:

If an Extraordinary Event occurs in relation to a Share, the Issuer in its sole and absolute discretion may take the action described in (i), (ii), (iii), (iv) (if applicable), (v) or, in the case of Notes relating to a Basket of Shares only, (vi) below:

- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account for the relevant Extraordinary Event, and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the relevant Extraordinary Event made by any options exchange to

options on the Shares traded on that options exchange. In addition, in relation to a Basket of Shares, the Calculation Agent may adjust the Basket of Shares in accordance with the provisions of sub-paragraph (vi) below;

- (ii) in the case of Equity Linked Notes relating to a Basket of Shares, redeem the Notes in part by giving notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed in part the portion (the **Redeemed Amount**) of each Note representing the affected Share(s) shall be redeemed and the Issuer will:
 - (A) pay to each Noteholder in respect of each Note held by him an amount equal to the fair market value of the Redeemed Amount, taking into account the relevant Extraordinary Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion; and
 - (B) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account for such redemption in part. For the avoidance of doubt the remaining part of each Note after such cancellation and adjustment shall remain outstanding with full force and effect. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13;
- (iii) unless Delayed Redemption on the Occurrence of an Extraordinary Event is specified as being applicable in the applicable Final Terms, on giving notice to Noteholders in accordance with General Condition 13, redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of a Note taking into account the relevant Extraordinary Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13;
- (iv) if Delayed Redemption on the Occurrence of an Extraordinary Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the relevant Extraordinary Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Extraordinary Event Amount**) as soon as practicable following the occurrence of the relevant Extraordinary Event (the **Calculated Extraordinary Event Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Extraordinary Event Amount plus interest

accrued on the Calculated Extraordinary Event Amount on a daily basis from and including the Calculated Extraordinary Event Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount;

- (v) following such adjustment to the settlement terms of options on the Shares traded on such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (the **Options Exchange**), require the Calculation Agent to make a corresponding adjustment to any one or more of or the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for the relevant Extraordinary Event, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded; or
- (vi) on or after the relevant Extraordinary Event Effective Date, the Calculation Agent may adjust the Basket of Shares to include a Share selected by it in accordance with the criteria for Share selection set out below (each, a **Substitute Share**) for each Share (each, an **Affected Share**) of each Basket Company (each, an **Affected Basket Company**) which is affected by such Extraordinary Event and the Substitute Share will be deemed to be a **Share** and the issuer of such shares, a **Basket Company** for the purposes of the Notes, and the Calculation Agent will make such adjustment, if any, to any one or more of the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, provided that in the event that any amount payable under the Notes was to be determined by reference to an initial price (the **Initial Price**) of the Affected Share, the relevant Initial Price of each Substitute Share will be determined by the Calculation Agent in accordance with the following formula:

$$\text{Initial Price} = A \times (B/C)$$

where

A is the official closing price of the relevant Substitute Share on the relevant Exchange on the Substitution Date;

B is the Initial Price of the relevant Affected Share; and

C is the fair market value of the relevant Affected Share on the Substitution Date (which may, where available, be determined by

reference to the official closing price of the Affected Share on the relevant Exchange and/or such other source(s) as the Calculation Agent determines appropriate).

Such substitution and the relevant adjustment to the Basket of Shares will be deemed to be effective as of the date selected by the Calculation Agent (the **Substitution Date**) in its sole and absolute discretion and specified in the notice referred to below which may, but need not, be the relevant Extraordinary Event Effective Date.

The Weighting of each Substitute Share in the Basket of Shares will be equal to the Weighting of the relevant Affected Share.

In order to be selected as a Substitute Share, the relevant share must satisfy the following criteria, in the sole and absolute discretion of the Calculation Agent:

- (a) where the relevant Extraordinary Event is a Merger Event or a Tender Offer and the relevant share is not already included in the Basket of Shares, the relevant share shall be an ordinary share of the entity or person (other than the Affected Basket Company) involved in the Merger Event or the making of the Tender Offer, that is, or that as of the relevant Extraordinary Event Effective Date (i) is promptly scheduled to be, publicly quoted, traded or listed on an exchange or quotation system located in the same country as the relevant Exchange (or, where the relevant Exchange is within the European Union, in any member state of the European Union) and (ii) is not subject to any currency exchange controls, trading restrictions or other trading limitations; or
- (b) where (a) above does not apply, including in the case of an Extraordinary Event other than a Merger Event or a Tender Offer:
 - 1. the issuer of the share shall, to the extent possible, belong to the same economic sector as the Affected Basket Company and shall not already be included in the Basket of Shares; and
 - 2. the issuer of the share shall, to the extent possible, have a comparable market capitalisation, international standing and exposure as the Affected Basket Company in respect of the Affected Share.

Upon the occurrence of an Extraordinary Event, if the Calculation Agent determines that an adjustment in accordance with the above provisions is necessary it shall notify the Issuer thereof as soon as practicable, and the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 13 stating the occurrence of the Extraordinary Event, giving details thereof and the action proposed to be taken in relation thereto, including, in the case of a Share Substitution, the identity of the Substitute

Shares and the Substitution Date, provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Extraordinary Event.

3. **Correction of Share Price**

With the exception of any corrections published after the day which is three Exchange Business Days prior to the due date for any payment under the Notes calculated by reference to the price of a Share, if the relevant price of the relevant Share published on a given day and used or to be used by the Calculation Agent to make any determination under the Notes is subsequently corrected and the correction is published by the relevant Exchange within the number of days equal to the Share Correction Period of the original publication, the price to be used shall be the price of the relevant Share as so corrected. Corrections published after the day which is three Exchange Business Days prior to a due date for payment under the Notes calculated by reference to the price of a Share will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

4. **Additional Disruption Events**

- (a) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or if applicable (iii) or, in the case of Notes linked to a Basket of Shares only, (iv) below:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
 - (ii) unless Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the applicable Final Terms, redeem the Notes by giving notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
 - (iii) if Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Additional Disruption Amount**) as soon as practicable following the occurrence of the Additional Disruption Event (the **Calculated Additional Disruption Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Additional Disruption Amount plus interest accrued on the Calculated Additional Disruption Amount on a daily basis from and including the Calculated Additional Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual being at a rate

equal to Issuer's funding cost on or about the relevant day or (y) if greater its nominal amount; or

- (iv) in the case of Notes linked to a Basket of Shares, the Calculation Agent may adjust the Basket of Shares to include a Share selected by it in accordance with the criteria for Share selection set out below (each a **Substitute Share**) for each Share (each an **Affected Share**) which is affected by the Additional Disruption Event and the Substitute Share will be deemed to be a **Share** and the issuer of such shares a **Basket Company** for the purposes of the Notes, and the Calculation Agent will make such adjustment, if any, to any one or more of the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, provided that in the event that any amount payable under the Notes was to be determined by reference to an initial price (the **Initial Price**) of the Affected Share, the Initial Price of each Substitute Share will be determined by the Calculation Agent in accordance with the following formula:

$$\text{Initial Price} = A \times (B/C)$$

where:

A is the official closing price of the relevant Substitute Share on the relevant Exchange on the Substitution Date;

B is the Initial Price of the relevant Affected Share; and

C is the fair market value of the relevant Affected Share on the Substitution Date (which may, where available, be determined by reference to the official closing price of the Affected Share on the relevant Exchange and/or such other source(s) as the Calculation Agent determines appropriate).

Such substitution and the relevant adjustment to the Basket of Shares will be deemed to be effective as of the date selected by the Calculation Agent (the **Substitution Date**) in its sole and absolute discretion and specified in the notice referred to below which may, but need not, be the relevant date of the Additional Disruption Event.

The Weighting of each Substitute Share in the Basket of Shares will be equal to the Weighting of the relevant Affected Share.

In order to be selected as a Substitute Share, the relevant share must be a share which, in the sole and absolute discretion of the Calculation Agent:

1. is not already included in the Basket of Shares;
2. the Issuer of such share belongs to the same economic sector as the Basket Company in respect of the Affected Share; and
3. the Issuer of such share has a comparable market capitalisation, international standing and exposure as the Basket Company in respect of the Affected Share.

- (b) Upon the occurrence of an Additional Disruption Event, if the Calculation Agent determines that an adjustment in accordance with the above provisions is necessary it shall notify the Issuer as soon as practicable and the Issuer shall give notice as soon

as practicable to the Noteholders in accordance with General Condition 13 stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto.

5. **Knock-in Event and Knock-out Event**

- (a) If **Knock-in Event** is specified as applicable in the applicable Final Terms, then, unless otherwise specified in such Final Terms, payment under the relevant Notes subject to a Knock-in Event shall be subject to a condition precedent that the Knock-in Event has occurred.
- (b) If **Knock-out Event** is specified as applicable in the applicable Final Terms, then unless otherwise specified in such Final Terms payment under the relevant Notes subject to a Knock-out Event shall be subject to a condition precedent that the Knock-out Event has not occurred.
- (c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Valuation Time a Knock-in Event or a Knock-out Event would otherwise have occurred and a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred; provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.
- (d) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is any time or period of time other than the Valuation Time during the regular trading hours on the relevant Exchange and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one hour period that begins or ends at the time at which the price of the Share triggers the Knock-in Event or the Knock-out Event would otherwise have occurred, a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

Definitions

Unless otherwise specified in the applicable Final Terms

Knock-in Determination Day means the date(s) specified as such in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-in Determination Period.

Knock-in Determination Period means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

Knock-in Event means:

- (i) in respect of a single Share that the price of the Share determined by the Calculation Agent as the price quoted on the relevant Exchange as of the Knock-in Valuation Time on any Knock-in Determination Day is; and
 - (ii) in respect of a Basket of Shares, that the amount determined by the Calculation Agent equal to (1) the sum of, in respect of each Share, the product of (x) the price of such Share as determined by the Calculation Agent as the price quoted on the relevant Exchange as of the Knock-in Valuation Time on the relevant Exchange on any Knock-in Determination Day and (y) the Weighting, or (2) the Relative Performance Basket, is:
 - (A) (a) greater than,
 - (b) greater than or equal to,
 - (c) less than or
 - (d) less than or equal tothe Knock-in Price or
- (B) within the Knock-in Range Price,
- (A) (a), (b) (c) or (d) or (B) applying as specified in the applicable Final Terms.

Knock-in Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

Knock-in Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

Knock-in Price means, (i) in case of a single Share, the price per Share and (ii) in the case of a Basket of Shares, the amount, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Equity Linked Condition 2 above.

Knock-in Range Price means the range of prices specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Equity Linked Condition 2.

Knock-in Valuation Time means the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time;

Knock-out Determination Day means the date(s) specified as such in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-out Determination Period.

Knock-out Determination Period means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

Knock-out Event means:

- (i) in respect of a single Share, that the price of the Share determined by the Calculation Agent as the price quoted on the relevant Exchange as of the Knock-out Valuation Time on any Knock-out Determination Day is; and
- (ii) in respect of a Basket of Shares, the amount determined by the Calculation Agent equal to (1) the sum of, in respect of each Share, the product of (x) the price of such Share as determined by the Calculation Agent as the price quoted on the relevant Exchange as of the Knock-out Valuation Time on any Knock-out Determination Day and (y) the relevant Weighting, or (2) the Relative Performance Basket, is:
 - (A) greater than,
 - (B) greater than or equal to,
 - (C) less than or
 - (D) less than or equal tothe Knock-out Price,
 - (A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Knock-out Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Price means (i) in the case of a single Share, the price per Share or (ii) in the case of a Basket of Shares, the amount, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Equity Linked Condition 2 above.

Knock-out Valuation Time means the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

6. **Automatic Early Redemption Event**

If **Automatic Early Redemption Event** is specified as applicable in the Final Terms, then, unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Issuer shall redeem each Note at an amount equal to the relevant Automatic Early Redemption Amount.

Definitions

Unless otherwise specified in the applicable Final Terms:

Automatic Early Redemption Amount means (a) an amount in the Specified Currency specified in the applicable Final Terms or if such amount is not specified, (b) the product of (i) the denomination of each Note and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date.

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms, or if such date is not a Business Day, the next following Business Day and no Noteholder shall be entitled to any interest or further payment in respect of any such delay.

Automatic Early Redemption Event means:

- (i) in case of Notes relating to a single Share, that the price of the Share determined by the Calculation Agent as the price quoted by the relevant Exchange as of the Valuation Time on the relevant Exchange on the Automatic Early Redemption Valuation Date is; and
- (ii) in the case of Notes relating to a Basket of Shares, the amount determined by the Calculation Agent equal to (1) the sum of, in respect of each Share, the product of (x) the price of such Share as determined by the Calculation Agent as the price quoted by the relevant Exchange as of the Valuation Time on the Automatic Early Redemption Valuation Date and (y) the relevant Weighting, or (2) the Relative Performance Basket, is:
 - (a) greater than,
 - (b) greater than or equal to,
 - (c) less than or
 - (d) less than or equal to

the Automatic Early Redemption Price

(a), (b) (c) or (d) applying as specified in the applicable Final Terms.

Automatic Early Redemption Price means the price or amount specified as such or otherwise determined in the applicable Final Terms, subject to adjustment as provided in Equity Linked Condition 2 above.

Automatic Early Redemption Rate means, in respect of any Automatic Early Redemption Date, the rate specified as such in the applicable Final Terms.

Automatic Early Redemption Valuation Date means each date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If any such day is a Disrupted Day, then the corresponding provisions in the definition of Valuation Date shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

7. Definitions

Unless otherwise specified in the applicable Final Terms:

Additional Disruption Event means any of Change of Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Stop-Loss Event and/or Loss of Stock Borrow, in each case if specified in the applicable Final Terms.

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

Averaging Date means each date specified as an Averaging Date in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) If **Omission** is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of Valuation Date will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **Postponement** is specified as applying in the applicable Final Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **Modified Postponement** is specified as applying in the applicable Final Terms then:
 - (i) where the Notes are Equity Linked Notes relating to a single share, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that

Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below;

- (ii) where the Notes are Equity Linked Notes relating to a Basket of Shares, the Averaging Date for each Share shall be the first succeeding Valid Date in relation to every Share forming part of the Basket of Shares. If the first succeeding Valid Date in relation to every Share forming part of the Basket of Shares has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) such Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of every Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below; and
- (iii) for the purposes of these Terms and Conditions, **Valid Date** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not occur.

Basket Company means each company specified as such in the applicable Final Terms and **Basket Companies** means all such companies.

Basket of Shares means (i) a basket composed of Shares of each Basket Company specified in the applicable Final Terms in the Weightings or numbers of Shares of each Basket Company specified in the applicable Final Terms, or (ii) a Relative Performance Basket;

Change of Law means that, on or after the Trade Date (as specified in the applicable Final Terms) (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (A) it has become illegal to hold, acquire or dispose of any relevant Share and/or (B) it will incur a materially increased cost in performing its obligations in relation to the Equity Linked Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

Clearance System means the principal domestic clearance system customarily used for settling trades in the relevant Share.

Clearance System Business Days means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event which results in the Clearance System being unable to clear the transfer of a relevant security would have been) open for the acceptance and execution of settlement instructions.

Disrupted Day means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

Early Closure means the closure on any Exchange Business Day of relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time

is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the **Valuation Time** on such Exchange Business Day.

Exchange means, in respect of a Share, each exchange or quotation system specified as such for such Share in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means either (i) in the case of a single Share, Exchange Business Day (Single Share Basis) or (ii) in the case of a Basket of Shares, (a) Exchange Business Day (All Shares Basis) or (b) Exchange Business Day (Per Share Basis), in each case as specified in the applicable Final Terms.

Exchange Business Day (All Shares Basis) means, in respect of a Basket of Shares, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading in respect of all Shares comprised in the Basket of Shares during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Exchange Business Day (Per Share Basis) means, in respect of a Share, any Scheduled Trading Day on which the relevant Exchange and Related Exchange in respect of such Share is open for trading during its respective regular trading session, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

Exchange Business Day (Single Share Basis) means any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange, if any, are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to their Scheduled Closing Time.

Exchange Disruption means, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the relevant Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share on any relevant Related Exchange.

Extraordinary Event Effective Date means, in respect of an Extraordinary Event, the date on which such Extraordinary Event occurs, as determined by the Calculation Agent in its sole and absolute discretion.

Hedging Disruption means that the Issuer or any of its Affiliates is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the Notes, or (ii) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

Hedging Shares means the number of Shares that the Issuer or any of its Affiliates deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.

Increased Cost of Hedging means that the Issuer or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer, issuing and performing its obligations with respect to the Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

Increased Cost of Stock Borrow means that the Issuer or any of its Affiliates would incur a rate to borrow any Share that is greater than the Initial Stock Loan Rate.

Initial Stock Loan Rate means, in respect of a Share, the initial stock loan rate specified in relation to such Share in the applicable Final Terms.

Insolvency Filing means that a Share Company or Basket Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company or Basket Company shall not be deemed an Insolvency Filing.

Loss of Stock Borrow means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Share in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

Maximum Stock Loan Rate means, in respect of a Share, the Maximum Stock Loan Rate specified in the applicable Final Terms.

Observation Date means each date specified as an Observation Date in the applicable Final Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to Omission, Postponement or Modified Postponement, as the case may be, contained in the definition of Averaging Date shall apply *mutatis mutandis* as if references in such provisions to Averaging Date were to Observation Date.

Observation Period means the period specified as the Observation Period in the applicable Final Terms.

Related Exchange means, in relation to a Share, each exchange or quotation system on which option contracts or futures contracts relating to such Share are traded, or each exchange or quotation system specified as such for such Share in the applicable Final Terms, any

successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where **All Exchanges** is specified as the Related Exchange in the applicable Final Terms, **Related Exchange** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

Relative Performance Basket means a value in relation to a basket composed of Shares of each Basket Company, such value as specified in the applicable Final Terms where no weighting shall be applicable and where the Final Redemption Amount and/or Interest Amount and/or the occurrence of a Knock-in Event and/or a Knock-out Event and/or an Automatic Early Redemption Event shall be determined by reference to (i) the Share which is either the best performing, or the worst performing, or (ii) any other performance measure that is applied to the Shares, in each case as specified in the applicable Final Terms;

Relevant Price means, unless otherwise specified in the applicable Final Terms and subject as referred to in relation to any Strike Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day, Averaging Date, Observation Date or Valuation Date, as the case may be:

- (i) in the case of Equity Linked Notes relating to a single Share, an amount equal to the official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share on (i) if Averaging is not specified in the applicable Final Terms, the relevant Settlement Price Date, or (ii) if Averaging is specified in the applicable Final Terms, the relevant Averaging Date or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the relevant Settlement Price Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide, such amount to be converted, if so specified in the applicable Final Terms, into the Specified Currency at the Exchange Rate on the relevant Settlement Price Date or Averaging Date and such converted amount to be the Relevant Price, all as determined by or on behalf of the Calculation Agent; and
- (ii) in the case of Equity Linked Notes relating to a Basket of Shares and in respect of each Share comprising the Basket, an amount equal to (A) the official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the applicable Final Terms)

quoted on the relevant Exchange for such Share) on (i) if Averaging is not specified in the applicable Final Terms, the relevant Settlement Price Date or (ii) if Averaging is specified in the applicable Final Terms, the relevant Averaging Date, or if in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the relevant Settlement Price Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the relevant Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the relevant Share or on such other factors as the Calculation Agent shall decide, multiplied by (B) the relevant Weighting, or if applicable, taking into account the relevant Relative Performance Basket, such value to be converted, if so specified in the applicable Final Terms, into the Specified Currency at the Exchange Rate on the relevant Settlement Price Date or Averaging Date, and such converted amount to be the Relevant Price, all as determined by or on behalf of the Calculation Agent.

Scheduled Closing Time means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours subject as provided in Valuation Time below.

Scheduled Strike Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Strike Date.

Scheduled Trading Day means either (i) in the case of a single Share, Scheduled Trading Day (Single Share Basis) or (ii) in the case of a Basket of Shares, (a) Scheduled Trading Day (All Shares Basis) or (b) Scheduled Trading Day (Per Share Basis), in each case as specified in the applicable Final Terms.

Scheduled Trading Day (All Shares Basis) means, in respect of a Basket of Shares, any day on which each Exchange and each Related Exchange are scheduled to be open for trading in respect of all Shares comprised in the Basket of Shares for their respective regular trading sessions.

Scheduled Trading Day (Per Share Basis) means in respect of a Basket of Shares, any day on which the relevant Exchange and Related Exchange in respect of such Share are scheduled to be open for trading for their respective regular trading sessions.

Scheduled Trading Day (Single Share Basis) means any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading during their respective regular trading session(s).

Scheduled Valuation Date means, in respect of a Share, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Screen Page means the page specified in the applicable Final Terms, or any successor page or service thereto.

Settlement Cycle means, in respect of a Share, the period of Clearance System Business Days following a trade in the Share on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

Settlement Price means, unless otherwise specified in the applicable Final Terms and subject as referred to in relation to any Strike Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be:

- (i) in the case of Equity Linked Notes relating to a single Share, (A) if Averaging is not specified in the applicable Final Terms, the Relevant Price for the relevant Settlement Price Date, or (B) if Averaging is specified in the applicable Final Terms, the arithmetic mean of the Relevant Prices of the Share on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner; and
- (ii) in the case of Equity Linked Notes relating to a Basket of Shares, (A) if Averaging is not specified in the applicable Final Terms, the Relevant Price for the relevant Settlement Price Date, or (ii) if Averaging is specified in the applicable Final Terms, the arithmetic mean of the Relevant Prices for each Share in the Basket of Shares on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

Settlement Price Date means any Strike Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date, Valuation Date or the last Averaging Date as the case may be.

Shares and **Share** mean in the case of an issue of Notes relating to a Basket of Shares, each share and, in the case of an issue of Notes relating to a single Share, the share, specified in the applicable Final Terms and related expressions shall be construed accordingly.

Share Company means, in the case of an issue of Notes relating to a single Share, the company that has issued such Share.

Share Correction Period means (i) the period specified in the applicable Final Terms, or (ii) if none is so specified, one Settlement Cycle.

Specified Maximum Days of Disruption means three (3) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the applicable Final Terms.

Stop-Loss Event means, in respect of a Share, unless otherwise specified in the applicable Final Terms the price of any Share as quoted on the relevant Exchange for such Share at any time or the Scheduled Closing Time, as specified in the applicable Final Terms, on any Scheduled Trading Day that is not a Disrupted Day in respect of such Share on or after the Trade Date or, if later the Strike Date, is less than 5 per cent., or such percentage specified in the applicable Final Terms, of its Strike Price or, if no Strike Price is stipulated in the applicable Final Terms, the price given as the benchmark price for such Share in the applicable Final Terms, all as determined by the Calculation Agent.

Strike Date means the Strike Date specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in

the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Equity Linked Notes relating to a single Share, the Strike Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Strike Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Strike Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the relevant price in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the relevant price in accordance with its good faith estimate of the relevant price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or
- (b) in the case of Equity Linked Notes relating to a Basket of Shares, the Strike Date for each Share shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any Shares forming part of the Basket of Shares unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Strike Date is a Disrupted Day relating to any Share of the Basket of Shares. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Strike Date for each Share of the Basket of Shares, notwithstanding the fact that such day is a Disrupted Day with respect to any Share, and (ii) the Calculation Agent shall determine the relevant price using, in relation to the relevant affected Share, the level or value as applicable, determined in the manner set out in the applicable Final Terms, and, in the case of a Share, a price determined in the manner set out in the applicable Final Terms or, if not set out or if not practicable, using its good faith estimate of the value for the affected Share as of the Valuation Time on the last such consecutive Scheduled Trading Day and otherwise in accordance with the above provisions.

Trading Disruption means, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the Share or (b) in futures or options contracts relating to such Share on any relevant Related Exchange.

Valuation Date means the Coupon Valuation Date and/or Redemption Valuation Date, as the case may be, specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Equity Linked Notes relating to a single Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the Settlement Price in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or

- (b) in the case of Equity Linked Notes relating to a Basket of Shares, the Valuation Date for each Share shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any Shares forming part of the Basket of Shares unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to any Share of the Basket of Shares. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for each Share of the Basket of Shares, notwithstanding the fact that such day is a Disrupted Day with respect to any Share, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the relevant affected Share, the level or value as applicable, determined in the manner set out in the applicable Final Terms, and, in the case of a Share, a price determined in the manner set out in the applicable Final Terms or, if not set out or if not practicable, using its good faith estimate of the value for the affected Share as of the Valuation Time on the last such consecutive Scheduled Trading Day and otherwise in accordance with the above provisions; and

Valuation Time means Coupon Valuation Time or the Valuation Time, as the case may be, specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Share to be valued provided that if the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Coupon Valuation time or the Valuation Time, as the case may be, shall be such actual closing time.

Weighting means the weighting to be applied to each item of the Basket of Shares as specified in the applicable Final Terms.

ANNEX 3

ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

*If specified as applicable in the applicable Final Terms, the terms and conditions applicable to Inflation Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Inflation Linked Notes set out below (the **Inflation Linked Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Inflation Linked Conditions, the Inflation Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Inflation Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. In the event of any inconsistency in the provisions of Inflation Linked Condition 3 and the other provisions of these Inflation Linked Conditions, the provisions of Inflation Linked Condition 3 shall prevail.*

1. DELAY IN PUBLICATION

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Index has occurred, then the Relevant Level with respect to any Reference Month which is to be utilised in any calculation of any payment under the Notes and/or any other determination to be made in respect of the Notes (the **Substitute Inflation Index Level**) shall be determined by the Calculation Agent (subject to Inflation Linked Condition 3(ii) below), as follows:

- (a) if Related Bond is specified as applicable in the relevant Final Terms, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or
- (b) if (i) Related Bond is not specified as applicable in the relevant Final Terms, or (ii) the Calculation Agent is not able to determine a Substitute Inflation Index Level under (a) above for any reason, then the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

Substitute Inflation Index Level = Base Level × (Latest Level/Reference Level) ; or

- (c) otherwise in accordance with any formula or method specified in the relevant Final Terms,

where:

Base Level means the level of the Index (excluding any “flash” estimates) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

Latest Level means the latest level of the Index (excluding any “flash” estimates) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being determined.

Reference Level means the level of the Index (excluding any “flash” estimates) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in “Latest Level” above.

The Issuer shall promptly give notice to Noteholders in accordance with General Condition 13 of any Substitute Inflation Index Level calculated pursuant to this Inflation Linked Condition 1.

If the Relevant Level is published or announced at any time on or after the relevant Cut-Off Date specified in the applicable Final Terms, then, subject as provided in Inflation Linked Condition 3 such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Inflation Linked Condition 1 will be the definitive level for that Reference Month.

2. SUCCESSOR INDEX

If the Calculation Agent determines that the level of an Index has not been published by the Index Sponsor for two consecutive months and/or the Index Sponsor announces that it will no longer continue to publish or announce the Index and/or the Index Sponsor cancels the Index then the Calculation Agent shall determine a successor index (a **Successor Index**) (in lieu of any previously applicable Index) for the purposes of the Notes as follows:

- (a) if Related Bond is specified as applicable in the applicable Final Terms, the Calculation Agent shall determine a Successor Index by reference to the corresponding successor index determined under the terms and conditions of the Related Bond;
- (b) if (x) Related Bond is not specified as applicable in the applicable Final Terms or (y) a Related Bond Redemption Event is specified as applying in the applicable Final Terms and has occurred and Fallback Bond is not specified as applicable in the applicable Final Terms, the Index Sponsor announces that it will no longer publish or announce the Index but that it will be superseded by a replacement index specified by the Index Sponsor, and the Calculation Agent determines that such replacement Index is calculated using the same or a substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be deemed the Successor Index for the purposes of the Notes from the date that such replacement Index comes into effect;
- (c) if no Successor Index has been determined under paragraphs (a) or (b) above the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If at least four responses are received, and of those responses, three or more leading independent dealers state the same index, such index will be deemed the Successor Index. If three responses are received, and two or more leading independent dealers state the same index, such index will be deemed the Successor Index. If fewer than three responses are received by the Cut-Off Date or no Successor Index is determined pursuant to this provision, the Calculation Agent will apply the provisions of paragraph (d) below;
- (d) if no Successor Index has been determined pursuant to paragraphs (a), (b) or (c) above, by the next occurring Cut-Off Date, subject as provided below, the Calculation Agent will determine an appropriate alternative index as of such Cut-Off Date for such affected Determination Date, and such index will be deemed a Successor Index for the purposes of the Notes; or
- (e) if the Calculation Agent cannot determine an appropriate alternative index pursuant to sub-paragraphs (a) to (d) above, there will be deemed to be no Successor Index and an Index Cancellation will be deemed to have occurred.

For the avoidance of doubt, the Calculation Agent shall determine the date on which the Successor Index shall be deemed to replace the Index for the purposes of the Notes. Notice of the determination of a Successor Index, the effective date of the Successor Index or the occurrence of an Index Cancellation will be given to Noteholders by the Issuer in accordance with General Condition 13.

3. **ADJUSTMENTS**

(a) Successor Index

If a Successor Index is determined in accordance with Inflation Linked Condition 2, the Calculation Agent may make any adjustment or adjustments (without limitation) to any amount payable under the Notes and/or any other relevant term of the Notes as the Calculation Agent deems necessary to account for this. The Issuer shall give notice to the Noteholders of any such adjustment in accordance with General Condition 13.

(b) Substitute Inflation Index Level

If the Calculation Agent determines a Substitute Inflation Index Level in accordance with Inflation Linked Condition 1, the Issuer may make any adjustment or adjustments (without limitation) to (x) the Substitute Inflation Index Level determined in accordance with Index Linked Condition 1 and/or (y) any amount payable under the Notes and/or any other relevant term of the Notes, in each case, as the Calculation Agent deems necessary. The Issuer shall give notice to the Noteholders of any such adjustment in accordance with General Condition 13.

(c) Index Level Adjustment Correction

- (i) The first publication or announcement of the Relevant Level (excluding any “flash” or other estimates) by the Index Sponsor for any Reference Month shall be final and conclusive and, subject to Inflation Linked Condition 3(b) and (c) below, later revisions to the level for such Reference Month will not be used in any calculations, save that in respect of the EUR-All Items-Revised Consumer Price Index, the ESP National- Revised Consumer Price Index (CPI) and the ESP-Harmonised-Revised Consumer Price Index HCPI, revisions to the Relevant Level which are published or announced up to and including the day that is two Business Days prior to any relevant Determination Date will be valid and the revised Relevant Level for the relevant Reference Month will be deemed to be the final and conclusive Relevant Level for such Reference Month. The Issuer shall give notice to the Noteholders of any valid revision in accordance with General Condition 13.
- (ii) If, within 30 days of publication or at any time prior to a Determination Date in respect of which a Relevant Level will be used in any calculation or determination in respect of such Determination Date, the Calculation Agent determines that the Index Sponsor has corrected the Relevant Level to correct a manifest error, the Calculation Agent may make any adjustment to any amount payable under the Notes and/or any other relevant term of the Notes as the Calculation Agent deems appropriate as a result of such correction and/or determine the amount (if any) that is payable as a result of that correction. The Issuer shall give notice to the Noteholders of any such adjustment and/or amount in accordance with General Condition 13.

- (iii) If a Relevant Level is published or announced at any time after the Cut-Off Date in respect of a Determination Date in respect of which a Substitute Inflation Index Level was determined, the Calculation Agent may either (A) determine that such Relevant Level shall not be used in any calculation or determination under the Notes and that the Substitute Inflation Index Level shall be deemed to be the definitive Relevant Level for the relevant Reference Month, or (B) request the Issuer to make any adjustment to any amount payable under the Notes and/or any other relevant term of the Notes as it deems appropriate as a result of the announcement or publication of the Relevant Level and/or determine the amount (if any) that is payable as a result of such publication or announcement. The Issuer shall give notice to the Noteholders of any determination in respect of (A) or (B), together with any adjustment or amount in respect thereof, in accordance with General Condition 13.

(d) Currency

If the Calculation Agent determines that any event occurs affecting the Specified Currency (whether relating to its convertibility; into other currencies or otherwise) which the Calculation Agent determines necessitates an adjustment or adjustments to any amount payable under the Notes, and/or any other relevant term of the Notes (including the date on which any amount is payable by the Issuer), the Issuer may make such adjustment or adjustments to such amount and/or any other relevant term of the Notes as the Calculation Agent deems necessary. The Calculation Agent shall give notice to the Noteholders of any such adjustment in accordance with General Condition 13.

(e) Rebasing

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the **Rebased Index**) will be used for purposes of determining the Relevant Level from the date of such rebasing; provided, however, that the Calculation Agent may make (A) if Related Bond is specified as applicable in the relevant Final Terms, any adjustments as are made pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as before the rebasing, and/or (B) if Related Bond is not specified as applicable in the relevant Final Terms or a Related Bond Redemption Event has occurred, the Calculation Agent may make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased and in each case the Issuer may make any adjustment(s) to any amount payable under the Notes and/or any other term of the Notes as the Calculation Agent may deem necessary. If the Calculation Agent determines that neither (A) nor (B) above would produce a commercially reasonable result, the Calculation Agent may redeem each Note on a date notified by the Issuer to Noteholders in accordance with General Condition 13 at its fair market value as determined by the Calculation Agent as at the date of redemption taking into account the rebasing, less the cost to the Issuer and/or its Affiliates of unwinding or amending any related underlying hedging arrangements. Notice of any adjustment, redemption of the Notes or determination pursuant to this paragraph shall be given to Noteholders in accordance with General Condition 13.

(f) Index Modification

- (i) If on or prior to the Cut-Off Date in respect of any Determination Date, the Calculation Agent determines that an Index Modification has occurred the Calculation Agent may (A) if Related Bond is specified as applicable in the applicable Final Terms, make any adjustments to any Relevant Level and/or

any other relevant term of the Notes (including, without limitation, any amount payable under the Notes), consistent with any adjustments made to the Related Bond as the Calculation Agent deems necessary, or (B) if Related Bond is not specified as applicable in the Final Terms or a Related Bond Redemption Event has occurred make only those adjustments to the Index, any Relevant Level and/or any other term of the Notes (including, without limitation, any amount payable under the Notes), as the Calculation Agent deems necessary for the modified Index to continue as the Index and to account for the economic effect of the Index Modification.

- (ii) If the Calculation Agent determines that an Index Modification has occurred at any time after the Cut-Off Date in respect of any Determination Date, the Calculation Agent may determine either to ignore such Index Modification for the purposes of any calculation or determination made by the Calculation Agent with respect to such Determination Date, in which case the relevant Index Modification will be deemed to have occurred with respect to the immediately succeeding Determination Date such that the provisions of subparagraph (i) above will apply, or, notwithstanding that the Index Modification has occurred following the Cut-Off Date, to make any adjustments as the Calculation Agent deems fit in accordance with subparagraph (i) above.

(g) Consequences of an Additional Disruption Event

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may make any adjustments to any Relevant Level and/or any other relevant term of the Notes (including, without limitation, any amount payable under the Notes to account therefor or may redeem each Note on the date notified by the Issuer to Noteholders in accordance with General Condition 13 at its fair market value (as determined by the Calculation Agent) as at the date of redemption taking into account the relevant Additional Disruption Event, less the cost to the Issuer and/or its Affiliates of unwinding or amending any related underlying hedging arrangements. Notice of any redemption of the Notes shall be given to Noteholders in accordance with General Condition 13.

(h) Index Cancellation

If the Calculation Agent determines that an Index Cancellation has occurred, the Issuer may make any adjustments to any Relevant Level and/or any other relevant term of the Notes (including, without limitation, any amount payable under the Notes to account therefore) or may redeem each Note on the date notified by the Issuer to Noteholders in accordance with General Condition 13 at its fair market value (as determined by the Calculation Agent) as at the date of redemption taking into account the Index Cancellation, less the cost to the Issuer and/or any Affiliates of unwinding or amending any related underlying hedging arrangements. Notice of any redemption of the Notes pursuant to this paragraph shall be given to Noteholders in accordance with General Condition 13.

4. DEFINITIONS

Additional Disruption Event means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the applicable Final Terms.

Change in Law means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change

in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in its sole and absolute discretion that it has become illegal for the Issuer and/or any of its Affiliates to hold, acquire or dispose of any relevant hedge positions in respect of the Index for purposes of the Notes.

Cut-Off Date means, in respect of a Determination Date, five Business Days prior to such Determination Date, unless otherwise stated in the applicable Final Terms.

Delayed Index Level Event means, in respect of any Determination Date, that the Index Sponsor fails to publish or announce the level of the Index (the **Relevant Level**) in respect of any Reference Month which is relevant to the calculation of any payment under the Notes and/or any other determination in respect of the Notes, in each case by the related Cut-Off Date.

Determination Date means each originally scheduled date for payment or any other relevant determination in relation to the Notes in each case by reference to an Index and/or Index Level(s) or value(s).

Fallback Bond means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Index relates and which pays a coupon or redemption amount which is calculated by reference to the Index, with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds in its discretion. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

Hedging Disruption means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

Increased Cost of Hedging means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

Index means the index or indices specified in the relevant Final Terms or any Successor Index as determined by the Calculation Agent pursuant to Inflation Linked Condition 2 and related expressions shall be construed accordingly.

Index Cancellation means a level for the Index has not been published or announced for two consecutive months and/or the Index Sponsor cancels the Index and/or the Index Sponsor announces that it will no longer continue to publish or announce the Index and no Successor Index exists.

Index Modification means the Index Sponsor announces that it will make (in the opinion of the Calculation Agent) a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index.

Index Sponsor means the entity that publishes or announces (directly or through an agent) the level of the relevant Index which as of the Issue Date of the Notes is the Index Sponsor specified in the applicable Final Terms in relation to the relevant Index.

Rebased Index has the meaning given to it under Inflation Linked Condition 3 above.

Reference Month means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced. If the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level was reported.

Related Bond means the bond (if any) specified as such in the relevant Final Terms. If the Related Bond specified in the applicable Final Terms is Fallback Bond, then for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and “Fallback Bond Not applicable” is specified in the applicable Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the applicable Final Terms and that bond redeems or matures before the relevant Determination Date, unless “Fallback Bond Not applicable” is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination.

Related Bond Redemption Event means, if specified as applicable in the relevant Final Terms, at any time prior to the Maturity Date, (a) the Related Bond is redeemed, repurchased or cancelled, (b) the Related Bond becomes repayable prior to its stated date of maturity for whatever reason, or (c) the issuer of the Related Bond announces that the Related Bond will be redeemed, repurchased or cancelled prior to its stated date of maturity.

Relevant Level has the meaning given to it in the definition of Delayed Index Level Event.

Successor Index has the meaning given to it in under Inflation Linked Condition 2 above.

Substitute Inflation Index Level has the meaning given in Inflation Linked Condition 1 above.

ANNEX 4

ADDITIONAL TERMS AND CONDITIONS FOR COMMODITY LINKED NOTES

*If specified as applicable in the applicable Final Terms, the terms and conditions applicable to Commodity Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Commodity Linked Notes set out below (the **Commodity Linked Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Commodity Linked Conditions, the Commodity Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Commodity Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

1. MARKET DISRUPTION

Market Disruption Event means, in respect of a relevant Commodity or Commodity Index and as determined by the Calculation Agent, the occurrence or existence of:

- (a) in the case of each Commodity Index and all Commodities, a Price Source Disruption, Trading Disruption, Disappearance of Commodity Reference Price; and in addition
- (b) in the case of each Commodity Index and all Commodities other than Gold, Silver, Platinum or Palladium, a Material Change in Formula, Material Change in Content, Tax Disruption and/or any additional Market Disruption Events as specified in the applicable Final Terms; and in addition
- (c) in the case of a Commodity Index, an Index Component Disruption Event.

The Calculation Agent shall give notice as soon as practicable to the Issuer, the Guarantor, the Principal Paying Agent and the Noteholders in accordance with General Condition 13 of the occurrence of a Market Disruption Event specifying the action proposed to be taken in relation thereto. In addition, the Calculation Agent shall make available for inspection by Noteholders copies of any such determinations.

2. CONSEQUENCES OF A MARKET DISRUPTION EVENT AND DISRUPTION FALLBACKS

Upon a Market Disruption Event occurring or continuing on any Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published by the Price Source), the Calculation Agent shall apply one or more applicable Disruption Fallbacks in respect of the relevant Market Disruption Event(s) in determining the consequences of the Market Disruption Event.

Disruption Fallback means a source or method that may give rise to an alternative basis for determining the Relevant Price in respect of a specified Commodity Reference Price or the redemption of the Notes when a Market Disruption Event occurs or exists on a day that is a Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source) in respect of a relevant Commodity or Commodity Index. A Disruption Fallback is applicable if it is specified in the applicable Final Terms or, if no Disruption Fallback is specified, the Calculation Agent shall take the relevant actions specified below.

2.1 Consequences of a Disappearance of Commodity Reference Price, a Material Change in Formula, or a Material Change in Content

If, with respect to the relevant Pricing Date, the Calculation Agent considers that there is in existence (i) a Disappearance of Commodity Reference Price, or (ii) a Material Change in Formula, or (iii) a Material Change in Content, then:

- (a) the Calculation Agent shall determine if such event has a material effect on the Notes and, if so, may calculate each relevant amount payable on the Notes using, in lieu of a published price for that Commodity or Component or Futures Contract, as the case may be, the price for that Commodity or Component or Futures Contract, as at the time specified on that Pricing Date, as determined by the Calculation Agent taking into consideration the latest available quotation for such Commodity or Component or Futures Contract, as the case may be, and any other information that in good faith it deems relevant; or
- (b) unless Delayed Redemption on Occurrence of Market Disruption Event is specified as being not applicable in the applicable Final Terms, on giving notice to Noteholders in accordance with General Condition 13, the Issuer may redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of such Note, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payment shall be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
- (c) if Delayed Redemption on Occurrence of Market Disruption Event is specified as being applicable in the applicable Final Terms, the Calculation Agent may calculate the fair market value of each Note less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Commodity Disruption Amount**) as soon as practicable following the occurrence of the Market Disruption Event (the **Calculated Commodity Disruption Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Commodity Disruption Amount plus interest accrued on the Calculated Commodity Disruption Amount from and including the Calculated Commodity Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount.

2.2 Consequences of a Tax Disruption

If the Calculation Agent determines in good faith that a Tax Disruption has occurred or exists in respect of a Pricing Date, the Calculation Agent shall determine if such Tax Disruption has a material effect on the Notes and if so (i) shall effect any adjustments that it deems in good faith necessary to the terms and conditions of the Notes or, if it determines that such adjustments cannot be made, (ii) on giving notice to Noteholders in accordance with General Condition 13, the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of such Note, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payment shall be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13.

2.3 Consequences of a Price Source Disruption and Trading Disruption

If, with respect to the relevant Pricing Date, a Price Source Disruption or Trading Disruption is in existence the Calculation Agent shall delay the determination of the affected Commodity Reference Price until the next Commodity Business Day on which such Price Source Disruption or Trading Disruption no longer exists provided that if such Price Source Disruption or Trading Disruption continues to exist on the Specified Maximum Days of Disruption following the originally Scheduled Pricing Date then the Calculation Agent shall apply the Commodity Fallback Value in order to determine the Relevant Price for that Pricing Date and each subsequent Pricing Date (if any).

2.4 Consequences of an Index Component Disruption Event

If the Calculation Agent determines that, on a Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source) an Index Component Disruption Event has occurred or exists then the Calculation Agent shall determine the Relevant Price (or a method for determining the Relevant Price) for that Pricing Date and each subsequent Pricing Date (if any) as the price or level that it determines would have prevailed but for the relevant Index Component Disruption Event and may adjust such price or level to reflect any hedging costs or expenses incurred by the Issuer and/or its Affiliates in hedging exposure to such Relevant Price in connection with the relevant Index Component Disruption Event.

The relevant Final Terms may specify additional Disruption Fallback(s) that will apply.

3. CORRECTION OF COMMODITY REFERENCE PRICE

With the exception of any corrections published after the day which is three Commodity Business Days prior to the due date for any payment under the Notes calculated by reference to a Commodity Reference Price, if the Commodity Reference Price published on a given day and used or to be used by the Calculation Agent to make any determination under the Notes is subsequently corrected and the correction published by the relevant Exchange or any other person responsible for the publication or announcement of the Commodity Reference Price within 30 calendar days of the original publication, the price to be used shall be the price of the relevant Commodity as so corrected. Corrections published after the day which is three Commodity Business Days prior to a due date for payment under the Notes calculated by reference to a Commodity Reference Price will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

4. KNOCK-IN-EVENT AND KNOCK-OUT EVENT:

- (a) If Knock-in Event is specified as applicable in the Final Terms, then, unless otherwise specified in such Final Terms, any payment under the relevant Notes which is expressed in the applicable Final Terms to be subject to a Knock-in Event, shall be subject to the condition precedent that a Knock-in Event has occurred.
- (b) If Knock-out Event is specified as applicable in the Final Terms, then, unless otherwise specified in such Final Terms, any payment under the relevant Notes which is expressed in the applicable Final Terms to be subject to a Knock-out Event, shall be subject to the condition precedent that a Knock-out Event has not occurred.
- (c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is the Valuation Time and if a Market Disruption Event has occurred on any Knock-in Determination Day or Knock-out Determination Day, then,

unless otherwise specified in the applicable Final Terms, such Knock-in Determination Day or Knock-out Determination Day will be deemed not to be a Knock-in Determination Day or Knock-out Determination Day for the purposes of determining the occurrence of a Knock-in Event or a Knock-out Event.

- (d) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is any time or period of time other than the Valuation Time during the regular trading hours on the relevant Exchange and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one-hour period that begins or ends at the time on which the Commodity Reference Price triggers the Knock-in Level or the Knock-out Level, a Market Disruption Event occurs or exists, then, unless otherwise specified in the applicable Final Terms, the Knock-in Event or the Knock-out Event shall be deemed not to have occurred.
- (e) Definitions relating to Knock-in Event/Knock-out Event.

Unless otherwise specified in the applicable Final Terms:

Knock-in Determination Day means the date(s) specified as such in the applicable Final Terms;

Knock-in Determination Period means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date;

Knock-in Event means: (i) in the case of a single Commodity, that the Commodity Reference Price determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is; and (ii) in the case of a Basket of Commodities, that the amount determined by the Calculation Agent equal to the sum of the values calculated for each Commodity as the product of (x) the Specified Price as of the Knock-in Valuation Time on any Knock-in Determination Day and (y) the relevant Weighting is:

- (A) greater than,
(B) greater than or equal to,
(C) less than, or
(D) less than or equal to

the Knock-in Level

(A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Knock-in Level means (i) in the case of a single Commodity, the Specified Price or (ii) in case of a Basket of Commodities, the price, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Commodity Linked Note Condition 1 and Commodity Linked Note Condition 3;

Knock-in Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Beginning Date Commodity Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Commodity Business Day, the next following Commodity Business Day;

Knock-in Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Ending Date Commodity Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Commodity Business Day, the next following Commodity Business Day;

Knock-in Valuation Time means the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time;

Knock-out Determination Day means the date(s) specified as such in the applicable Final Terms;

Knock-out Determination Period means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date;

Knock-out Event means (i) in the case of a single Commodity, that the Commodity Reference Price determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is and (ii) in the case of a Basket of Commodities, that the amount determined by the Calculation Agent equal to the sum of, in respect of each Commodity, the products of (x) the Specified Price as of the Knock-out Valuation Time on any Knock-out Determination Day and (y) the relevant Weighting is

- (A) greater than,
- (B) greater than or equal to,
- (C) less than or
- (D) less than or equal to

the Knock-out Level

(A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Knock-out Level means (i) in the case of a single Commodity, the specified price or (ii) in the case of a Basket of Commodities, the price or amount, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Commodity Linked Note Condition 1, 2 and 3;

Knock-out Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Beginning Date Commodity Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Commodity Business Day, the next following Commodity Business Day;

Knock-out Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Ending Date Commodity Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Commodity Business Day, the next following Commodity Business Day; and

Knock-out Valuation Time means the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or in the event that the

applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

Valuation Time means the time specified as such in the applicable Final Terms; and

Weighting means the percentage specified as such in the applicable Final Terms.

5. AUTOMATIC EARLY REDEMPTION

(a) If Automatic Early Redemption Event is specified as applicable in the Final Terms, then unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Issuer shall redeem each Note at an amount equal to the relevant Automatic Early Redemption Amount.

(b) Definitions relating to Automatic Early Redemption.

Unless otherwise specified in the applicable Final Terms:

Automatic Early Redemption Amount means (i) an amount in the Specified Currency specified in the applicable Final Terms or if such amount is not specified, (ii) the product of (A) the nominal amount in respect of each Note and (B) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date;

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms, subject in each case to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms;

Automatic Early Redemption Event means that (i) in the case of Notes relating to a single Commodity, the specified price or (ii) in the case of Notes relating to a basket of Commodities, the Basket Price is,

- (A) greater than,
- (B) greater than or equal to,
- (C) less than or
- (D) less than or equal to

the Automatic Early Redemption Price

(A), (B), (C) or (D) applying as specified in the Final Terms;

Automatic Early Redemption Price means the price per Commodity or other amount specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Commodity Linked Note Condition 1,2 and 3 above;

Automatic Early Redemption Rate means, in respect of any Automatic Early Redemption Date, the rate specified as such for such date in the applicable Final Terms;

Automatic Early Redemption Valuation Date means each date specified as such in the applicable Final Terms; and

Basket Price means, in respect of any Automatic Early Redemption Valuation Date, an amount determined by the Calculation Agent equal to the sum of, in respect of each Commodity, the product of (i) the Specified Price of such Commodity on such Automatic Early Redemption Valuation Date and (ii) the relevant Weighting.

6. CONSEQUENCES OF AN ADDITIONAL DISRUPTION EVENT:

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may require the Calculation Agent to adjust any relevant terms of the Notes to account for such Additional Disruption Event or, if it determines that no such adjustment would be appropriate for any reason, including in light of hedging arrangements for the Notes, redeem the Notes by giving notice to the Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him, which amount shall be the fair market value of a Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any related underlying hedging arrangements all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13.

7. DEFINITIONS

Unless otherwise specified in the applicable Final Terms:

Additional Disruption Event means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the applicable Final Terms.

Basket of Commodities means a basket comprising two or more Commodities or Commodity Indices;

Change in Law means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes.

Commodity means, subject to adjustment in accordance with these Commodity Linked Conditions, the commodity (or commodities) or futures contract on a commodity (or commodities) specified in the applicable Final Terms and related expressions shall be construed accordingly and for the avoidance of doubt, each of climatic variables, freight rates and emissions allowances may be a Commodity for the purposes of these Commodity Linked Conditions and the applicable Final Terms;

Commodity Business Day means:

- (a) where the Commodity Reference Price is announced or published by an Exchange, any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which that Exchange is open for trading during its regular trading

sessions and notwithstanding any such Exchange closing prior to its scheduled closing time; or

- (b) in any other case, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Market Disruption Event, would have published) a price;

Commodity Fallback Value means the arithmetic mean of the quotations provided to the Calculation Agent by each of the Reference Dealers as its Commodity Reference Price for the relevant Pricing Date of the relevant Commodity, provided that if only three such quotations are so provided, the Commodity Fallback Value shall be the Commodity Reference Price remaining after disregarding the Commodity Reference Prices having the highest and lowest values (or if more than one such highest or lowest, one only of them). If fewer than three such quotations are so provided, such value shall be determined by the Calculation Agent in its sole discretion acting in good faith;

Commodity Index means, subject to adjustment in accordance with the Commodity Linked Conditions, each index specified as such in the applicable Final Terms or an index comprising one or more commodities or contracts for the future delivery of a Commodity (each a **Component**);

Commodity Reference Price means (i) in respect of any Commodity, the Commodity Reference Price specified in the applicable Final Terms and (ii) in respect of any Commodity Index, the Commodity Reference Price specified in the applicable Final Terms or, if not so specified, the official closing price or level of such Commodity Index;

Delivery Date means, in respect of a Commodity Reference Price, the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as follows:

- (a) if a date is, or a month and year are, specified in the applicable Final Terms, that date or that month and year;
- (b) if a Nearby Month is specified in the applicable Final Terms, the month of expiration of the relevant Futures Contract; and
- (c) if a method is specified in the applicable Final Terms for the purpose of determining the Delivery Date, the date or the month and year determined pursuant to that method;

Disappearance of Commodity Reference Price means (A) the permanent discontinuation of trading, in the relevant Futures Contract on the relevant Exchange or (B) the disappearance of, or of trading in, the relevant Commodity or Component or (C) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract, Commodity or Component;

Exchange means, in respect of a Commodity, the exchange or principal trading market for such Commodity specified in the applicable Final Terms or in the Commodity Reference Price and in the case of a Commodity Index, the exchange or principal trading market for each Component comprising such Commodity Index;

Futures Contract means, in respect of a Commodity Reference Price, the contract for future delivery of a contract size in respect of the relevant Delivery Date relating to the Commodity or Commodity Index referred to in that Commodity Reference Price;

Hedging Disruption means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

Increased Cost of Hedging means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer, and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

Index Component Disruption Event means:

- (a) the Commodity Reference Price published by the Price Source on any Pricing Date includes, or is derived from, a price for one or more Components published on any date between the Trade Date and such Pricing Date that is not a price published by an exchange or other third party price source, but is a price determined by the Price Source;
- (b) the Commodity Reference Price published by the Price Source on any Pricing Date includes, or is derived from, a price for one or more Components that, in the opinion of the Calculation Agent, has been calculated or published subject to the occurrence of market disruption or similar, or otherwise not in accordance with the usual, then-current, method used by such exchange or price source;
- (c) a temporary or permanent failure by the applicable exchange or other price source to announce or publish (x) the Commodity Reference Price or (y) a relevant price for any Components included in the Commodity Index;
- (d) a material limitation, suspension or disruption of trading in one or more of the futures contracts included in the Commodity Index which results in a failure by the exchange on which each applicable futures contract is traded to report a relevant price for such contract on the day on which such event occurs or any succeeding day on which it continues; or
- (e) the closing price for any futures contract included in the Commodity Index is a “limit price”, which means that the closing price for such contract for a day has increased or decreased from the previous day's closing price by the maximum amount permitted under applicable exchange rules.

Material Change in Content means the occurrence since the Issue Date of a material change in the content, composition or constitution of the relevant Commodity or Futures Contract or, in the case of a Commodity Index, a Component;

Material Change in Formula means the occurrence since the Issue Date of a material change in the formula for or the method of calculating the relevant Commodity Reference Price;

Nearby Month, when preceded by a numerical adjective, means, in respect of a Delivery Date and a Pricing Date, the month of expiration of the Futures Contract identified by that numerical adjective, so that, for example, (A) **First Nearby Month** means the month of expiration of the first Futures Contract to expire following that Pricing Date; (B) **Second Nearby Month** means the month of expiration of the second Futures Contract to expire following that Pricing Date; and (C) **Sixth Nearby Month** means the month of expiration of the sixth Futures Contract to expire following that Pricing Date;

Price Source means the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the relevant Commodity Reference Price.

Price Source Disruption means (A) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price, or (B) the temporary or permanent discontinuance or unavailability of the Price Source.

For these purposes:

- (a) a suspension of the trading in the Futures Contract, Commodity or Component as the case may be, on any Commodity Business Day shall be deemed to be material only if:
 - (i) all trading in the Futures Contract, Commodity or Component as the case may be, is suspended for the entire Pricing Date; or
 - (ii) all trading in the Futures Contract, Commodity or Component as the case may be, is suspended subsequent to the opening of trading on the Pricing Date, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract, such Commodity or Component as the case may be, on such Pricing Date and such suspension is announced less than one hour preceding its commencement; and
- (b) a limitation of trading in the Futures Contract, Commodity or Component as the case may be, on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the Futures Contract, Commodity or Component as the case may be, may fluctuate and the closing or settlement price of the Futures Contract, Commodity or Component as the case may be, on such day is at the upper or lower limit of that range.

Pricing Date means each date specified in the Final Terms or if that is not a Commodity Business Day, the immediately preceding or succeeding Commodity Business Day as set out in the Final Terms;

Reference Dealers means four leading dealers in the relevant Commodities market selected by the Calculation Agent;

Relevant Price means, for any Pricing Date, the price, expressed as a price per unit of the Commodity or the price or level of the Commodity Index, determined with respect to that day for the Commodity Reference Price calculated as provided in these Commodity Linked Conditions and the applicable Final Terms;

Specified Maximum Days of Disruption means two Commodity Business Days or such other number of Specified Maximum Days of Disruption specified in the applicable Final Terms;

Specified Price means, in respect of a Commodity Reference Price any of the following prices (which must be a price reported in or by, or capable of being determined from information reported in or by, the relevant Price Source), as specified in the applicable Final Terms (and, if applicable, as of the time so specified): (A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the spot price; or (O) any other price specified in the applicable Final Terms on the Pricing Date;

Tax Disruption means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity or, in the case of a Commodity Index, Component (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority after the Trade Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal; and

Trading Disruption means the material suspension of, or the material limitation imposed on, trading in the relevant Futures Contract or the Commodity or, in the case of a Commodity Index, Component on the Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms.

For these purposes:

- (a) a suspension of the trading in the Futures Contract, Commodity or Component, as the case may be, on any Commodity Business Day shall be deemed to be material only if:
 - (i) all trading in the Futures Contract, Commodity or Component, as the case may be, is suspended for the entire Pricing Date; or
 - (ii) all trading in the Futures Contract, Commodity or Component is suspended subsequent to the opening of trading on the Pricing Date, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract, Commodity or Component, as the case may be, on such Pricing Date and such suspension is announced less than one hour preceding its commencement; and
- (b) a limitation of trading in the relevant Futures Contract, Commodity or Component, as the case may be, on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the relevant Futures Contract, Commodity or Component, as the case may be, may fluctuate and the closing or settlement price of the relevant Futures Contract, Commodity or Component, as the case may be, on such day is at the upper or lower limit of that range.

ANNEX 5

ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

*If specified as applicable in the applicable Final Terms, the terms and conditions applicable to Fund Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Fund Linked Notes set out below (the **Fund Linked Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Fund Linked Conditions, the Fund Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Fund Linked Conditions and (ii) the applicable Final Terms, the applicable Final Terms shall prevail.*

1. Definitions

Additional Extraordinary Fund Event has the meaning given to it in the applicable Final Terms.

Averaging Date means, in the case of an ETF, each date specified as an Averaging Date in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day:

- (a) If **Omission** is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of Valuation Date will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **Postponement** is specified as applying in the applicable Final Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **Modified Postponement** is specified as applying in the applicable Final Terms then:
 - (i) where the Notes are Fund Linked Notes relating to a single Fund, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below;

- (ii) where the Notes are Fund Linked Notes relating to a Fund Basket, the Averaging Date for each Fund Share not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the **Scheduled Averaging Date**) and the Averaging Date for each Fund Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Fund Share. If the first succeeding Valid Date in relation to such Fund Share has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of such Fund Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below.
- (iii) for the purposes of these Terms and Conditions **Valid Date** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

Basket Trigger Event means that a Substitution Event occurs in respect of one or more Funds comprising the Fund Basket which has or, in the event that a Substitution Event has occurred in respect of more than one Fund, together have, a Weighting in the Fund Basket equal to or greater than the Basket Trigger Level.

Basket Trigger Level has the meaning given to it in the applicable Final Terms or if not so specified, 50 per cent.

Calculation Date means each day(s) specified in the applicable Final Terms, or if not so specified, each day which is a Fund Business Day.

Delta-I Termination Amount means an amount determined in accordance with the provisions specified in the applicable Final Terms.

Disrupted Day means, in the case of an ETF, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

Early Closure means, in the case of an ETF, the closure on any Exchange Business Day of the relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

ETF means any Fund specified as being an Exchange Traded Fund in the applicable Final Terms, or if not so specified, any Fund which the Calculation Agent determines to be an exchange traded fund.

Exchange means, in the case of an ETF and in relation to a Fund Share, each exchange or quotation system specified as such for such Fund Share in the applicable Final Terms, any

successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Fund Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Fund Share on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means in the case of an ETF, either (i) in the case of a single Fund Share, Exchange Business Day (Single Fund Share Basis) or (ii) in the case of a Fund Basket, Exchange Business Day (All Fund Shares Basis) or Exchange Business Day (Per Fund Share Basis), in each case as specified in the applicable Final Terms, provided that, if no such specification is made in the applicable Final Terms, Exchange Business Day (Per Fund Share Basis) shall apply.

Exchange Business Day (All Fund Shares Basis) means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading session(s) notwithstanding any such Exchange or Related Exchange closing prior to its (their) Scheduled Closing Time.

Exchange Business Day (Per Fund Share Basis) means, in respect of a Fund Share, any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange, if any, in respect of such Fund Share are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its (their) Scheduled Closing Time.

Exchange Business Day (Single Fund Share Basis) means, in respect of a Fund Share, any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its (their) Scheduled Closing Time.

Exchange Disruption means, in the case of an ETF, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Fund Share on the Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Fund Share on any relevant Related Exchange.

Exchange Rate in relation to a Fund Share, shall have the meaning given in the applicable Final Terms.

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

Fund means Fund(s), or sub-Fund(s) or ETF(s) specified in the applicable Final Terms.

Fund Basket means a Basket comprising the Fund Shares (including, if applicable, Fund Shares in one or more ETFs) specified in the applicable Final Terms.

Fund Business Day has the meaning specified in the applicable Final Terms, or, if not so specified, (i) in respect of a Fund other than an ETF, a day which is (or but for the imposition of any suspension period or similar limitation, would have been) a day on which subscription and redemption orders in respect of the relevant Fund Shares are accepted by the Fund; (ii) in respect of an ETF, each Scheduled Trading Day; (iii) in respect of a Fund Basket not comprised of Fund Shares of ETFs, either Fund Business Day (All Fund Shares Basis) or Fund Business Day (Per Fund Share Basis) as specified in the applicable Final Terms, provided that, if no such specification is made in the applicable Final Terms, Fund Business

Day (Per Fund Share Basis) shall apply; and (iv) in respect of a Fund Basket comprised of ETFs, a day which is a Scheduled Trading Day in respect of each Fund Share comprising the Fund Basket.

Fund Business Day (All Fund Shares Basis) means a day on which subscription and redemption orders in respect of each of the Fund Shares comprising the Fund Basket are accepted by each relevant Fund.

Fund Business Day (Per Fund Share Basis) means, in respect of a Fund Share, a day on which subscription and redemption orders in respect of such Fund Share are accepted by each Fund.

Fund Documents means, with respect to any Fund Share, the constitutive and governing documents, subscription agreements and other agreements of the Fund specifying the terms and conditions relating to such Fund Shares specified in the applicable Final Terms as at the Issue Date.

Fund Reporting Date means, in respect of the Fund Shares and a Calculation Date, the date on which the NAV per Fund Share is reported or published in respect of such Calculation Date.

Fund Service Provider means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for such Fund, whether or not specified in the Fund Documents, including any investment advisor or manager, fund adviser, fund administrator, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent, domiciliary agent and any other person specified as such in the applicable Final Terms.

Fund Share(s) means an ownership interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest specified as such in the applicable Final Terms.

Hedge Provider means the party (being, inter alia, the Issuer, the Guarantor (if applicable), the Calculation Agent, an Affiliate or any third party) from time to time who hedges the Issuer's obligations in respect of the Notes or where no such party actually hedges such obligations, a hypothetical investor, who shall be deemed to enter into transactions as if hedging such obligations. The Hedge Provider will hold or be deemed to hold such number of Fund Shares, or enter or be deemed to enter into any agreement to purchase or deliver, or pay an amount linked to the performance of, such number of Fund Shares as it (or in the case of a hypothetical investor, the Calculation Agent) considers would be held by a prudent issuer as a hedge for its exposure under the relevant Notes.

Implied Embedded Option Value means an amount which may never be less than zero equal to the present value as at the Implied Embedded Option Value Determination Date of any future payments under the Notes determined by the Calculation Agent in its sole and absolute discretion taking into account, without limitation, such factors as interest rates, the net proceeds achievable from the sale of any Fund Shares by the Hedge Provider, the volatility of the Fund Shares and transaction costs.

Implied Embedded Option Value Determination Date means the date determined by the Calculation Agent to be the first date on which it is possible to determine the Implied Embedded Option Value following the occurrence of an Extraordinary Fund Event.

Initial Calculation Date means the date specified as such in the applicable Final Terms.

London Business Day means a day on which commercial banks and foreign exchange markets are generally open to settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

NAV Barrier has the meaning given to it in the applicable Final Terms.

NAV Trigger Event means, in respect of any Fund Shares, that (i) the NAV per Fund Share has decreased by an amount equal to, or greater than, the NAV Trigger Percentage(s) at any time during the related NAV Trigger Period; or (ii) the Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgement of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any other contractual restriction binding on or affecting the Fund or any of its assets.

NAV Trigger Percentage means the percentage specified in the applicable Final Terms or, if not so specified, 50%.

NAV Trigger Period means the period specified in the applicable Final Terms, or if not so specified the period from and including the Initial Calculation Date to and including the Final Calculation Date.

NAV per Fund Share means, with respect to the relevant Fund Shares and the Fund Reporting Date relating to such Fund Shares, (i) the net asset value per Fund Share of such Fund Shares as of the relevant Calculation Date, as reported on such Fund Reporting Date by the Fund Service Provider that generally publishes or reports such value on behalf of the Fund to its investors or a publishing service, or (ii), if the Fund Service Provider of the Fund publishes or reports only the aggregate net asset value of the Fund Shares, the net asset value per Fund Share relating to such number of Fund Shares as of the relevant Calculation Date as calculated by the Calculation Agent on the basis of such aggregate net asset value of the Fund Shares divided by the relevant number of Fund Shares.

Non-Principal Protected Termination Amount means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount determined by the sum of:

- (i) the Implied Embedded Option Value; and
- (ii) if Delayed Redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the applicable Final Terms, the Simple Interest or otherwise zero.

Number of NAV Publication Days means the number of calendar days specified in the applicable Final Terms, being the maximum number of days after the due date for publication or reporting of the NAV per Fund Share after which the Fund Service Provider or any entity fulfilling such role, howsoever described in the Fund Documents, or any other party acting on behalf of the Fund, may remedy any failure to publish or report the NAV per Fund Share before the Calculation Agent may determine that an Extraordinary Fund Event has occurred.

Principal Protected Termination Amount means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount determined by the sum of:

- (i) the Protected Amount;
- (ii) the Implied Embedded Option Value; and

- (iii) if Delayed Redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the applicable Final Terms, the Simple Interest.

Protected Amount means the amount specified as such in the applicable Final Terms.

Related Exchange means, in the case of an ETF and in relation to a Fund Share, each exchange or quotation system specified as such for such Fund Share in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Fund Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Fund Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where All Exchanges is specified as the Related Exchange in the applicable Final Terms, **Related Exchange** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Fund Share.

Scheduled Trading Day means either (i) in the case of a single ETF and in relation to a Fund Share, Scheduled Trading Day (Single Fund Share Basis) or (ii) in the case of a Fund Basket, Scheduled Trading Day (All Fund Shares Basis) or Scheduled Trading Day (Per Fund Share Basis), in each case as specified in the applicable Final Terms, provided that, if no such specification is made in the applicable Final Terms, Exchange Business Day (Per Fund Share Basis) shall apply.

Scheduled Trading Day (All Fund Share Basis) means any day on which each Exchange and each Related Exchange are scheduled to be open for trading during their respective regular trading session(s).

Scheduled Trading Day (Per Fund Share Basis) means, in respect of a Fund Share, any day on which the relevant Exchange and the relevant Related Exchange in respect of such Fund Share are scheduled to be open for trading during their respective regular trading session(s).

Scheduled Trading Day (Single Fund Share Basis) means any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading during their respective regular trading session(s).

Scheduled Valuation Date means any day which but for the occurrence of a Disrupted Day would have been a Valuation Date.

Settlement Price means, unless otherwise specified in the applicable Final Terms and subject as referred to in relation to any Valuation Date or Averaging Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be:

- (a) in the case of Fund Linked Notes relating to a Fund Basket comprised of Fund Shares in one or more ETFs and in respect of each Fund Share comprising the Fund Basket, an amount equal to the official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date or Averaging Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Fund Share on (a) if Averaging is not specified in the applicable Final Terms, the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified

in the applicable Final Terms, an Averaging Date (or if in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for such Fund Share whose official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be determined based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of such Fund Share or on such other factors as the Calculation Agent shall decide), multiplied by the relevant Weighting, such value to be converted, if so specified in the applicable Final Terms, into the Specified Currency at the Exchange Rate, all as determined by or on behalf of the Calculation Agent; and

- (b) in the case of Fund Linked Notes relating to a single ETF, an amount equal to the official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Fund Share on (a) if Averaging is not specified in the applicable Final Terms, the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the applicable Final Terms, an Averaging Date (or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in

Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Fund Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of such Fund Share or on such other factors as the Calculation Agent shall decide), such amount to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate and such converted amount to be the Specified Price, all as determined by or on behalf of the Calculation Agent;

Simple Interest means an amount calculated by the Calculation Agent equal to the amount of interest that would accrue on the Implied Embedded Option Value during the period from (and including) the Implied Embedded Option Value Determination Date to (and including) the Final Calculation Date calculated on the basis that such interest were payable by the Floating Rate Payer under an interest rate swap transaction incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. under which:

- (i) the Effective Date is the Implied Embedded Option Value Determination Date;
- (ii) the Termination Date is the Termination Date;
- (iii) the Floating Rate Payer Payment Date is the Termination Date;
- (iv) the Floating Rate Option is EUR-EURIBOR-Reuters (if the Specified Currency is EUR) or USD-LIBOR-BBA (if the Specified Currency is USD);
- (v) the Designated Maturity is 3 months;
- (vi) the Simple Interest Spread is as specified in the applicable Final Terms, or if not so specified minus 0.125 per cent.;
- (vii) the Floating Rate Day Count Fraction is Actual/360;
- (viii) the Reset Date is the Implied Embedded Option Value Determination Date and each date falling three calendar months after the previous Reset Date; and
- (ix) Compounding is Inapplicable, provided that if the final Compounding Period is less than 3 months Linear Interpolation applies.

Specified Maximum Days of Disruption means three (3) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the applicable Final Terms.

Spread is as specified in the applicable Final Forms.

Termination Amount means an amount in the Specified Currency calculated as specified in the applicable Final Terms or if not so specified (i) the Delta-1 Termination Amount; (ii) the Principal Protected Termination Amount or (iii) the Non-Principal Protected Termination Amount as specified in the applicable Final Terms.

Termination Date means (i) the date specified in the applicable Final Terms, or (ii) if Delayed Redemption on the Occurrence of an Extraordinary Fund Event is specified as being applicable in the applicable Final Terms, the Redemption Date.

Trading Disruption means, in the case of an ETF and in relation to a Fund Share, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or any Related Exchange or otherwise (i) relating to the Fund Share on the Exchange; or (ii) in futures or options contracts relating to the Fund Share on any relevant Related Exchange.

Valuation Date means, in the case of Fund Linked Notes relating to one or more ETF, the Coupon Valuation Date and/or Redemption Valuation Date, as the case may be, specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Fund Linked Notes relating to a single Fund Share of an ETF, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the Settlement Price in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or
- (b) in the case of Fund Linked Notes relating to a basket of Fund Shares of one or more ETFs, the Valuation Date for each Fund Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Fund Share affected (each an **Affected Item**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the Affected Item, the level or value as applicable, determined in the manner set out in the applicable Final Terms, and, in the case of a Fund Share, a price determined in the manner set out in the applicable Final Terms or, if not set out or if not practicable, using its good faith estimate of the value for the Affected Item as of the Valuation Time on the last such consecutive Scheduled Trading Day and otherwise in accordance with the above provisions; and

Valuation Time in the case of an ETF and in relation to a Fund Share means either (i) the close of trading on the Exchange or (ii) as otherwise specified in the applicable Final Terms.

Weighting, in relation to a Fund Share, has the meaning given in the applicable Final Terms.

2. **Market Disruption in respect of Notes linked to one or more ETFs**

If the Fund is an ETF, **Market Disruption Event** means, in respect of a Fund Share the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event, begins or ends at the time when the level of the relevant Fund Share triggers, respectively, the occurrence of the Knock-in Event or Knock-out Event or (b) in all other circumstances that ends at the relevant Valuation Time, or (iii) an Early Closure.

The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 13 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date, a Valuation Date, an Automatic Early Redemption Valuation Date or any Knock-in Determination Day or Knock-out Determination Day, as the case may be.

3. **Knock-in Event and Knock-out Event in respect of ETFs:**

(a) If the Fund is an ETF and:

- (i) If Knock-in Event is specified as applicable in the applicable Final Terms, then, unless otherwise specified in such Final Terms, any payment under the relevant Notes which is expressed in the applicable Final Terms to be subject to a Knock-in Event, shall be subject to the condition precedent that a Knock-in Event has occurred.
- (ii) If Knock-out Event is specified as applicable in the applicable Final Terms, then, unless otherwise specified in such Final Terms, any payment under the relevant Notes which is expressed in the applicable Final Terms to be subject to a Knock-out Event, shall be subject to the condition precedent that a Knock-out Event has not occurred.
- (iii) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Valuation Time a Knock-in Event or a Knock-out Event would otherwise have occurred and a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Fund Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.
- (iv) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is any time/or period of time during the regular trading hours on the relevant Exchange other than the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Knock-in Valuation Time or Knock-out Valuation Time a Knock-in Event or a Knock-out Event

would otherwise have occurred and a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then, the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Fund Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

(b) Definitions relating to Knock-in Event/Knock-out Event

Unless otherwise specified in the applicable Final Terms:

Knock-in Determination Day means the date(s) specified as such in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-in Determination Period;

Knock-in Determination Period means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date;

Knock-in Event means:

- (i) (in the case of a single Fund Share) that the Settlement Price of the Fund Share determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is; or
- (ii) (in the case of a Fund Basket) that the amount determined by the Calculation Agent equal to the sum, in respect of each Fund Share, of the Settlement Price of such Fund Share as determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is,
 - (A) greater than,
 - (B) greater than or equal to,
 - (C) less than or
 - (D) less than or equal to

the Knock-in Price,

(A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Knock-in Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

Knock-in Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

Knock-in Price means, (i) in case of a single ETF, the price per Fund Share or (ii) in the case of a Fund Basket comprised of Fund Shares in one or more ETFs, the amount, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Fund Linked Condition 2;

Knock-in Valuation Time means the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time;

Knock-out Determination Day means the date(s) specified as such in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-out Determination Period;

Knock-out Determination Period means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date;

Knock-out Event means:

- (i) (in the case of a single Fund Share) that the Settlement Price of the Fund Share determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is; or
- (ii) (in the case of a Fund Basket) that the amount determined by the Calculation Agent equal to the sum of, in respect of each Fund Share, the Settlement Price of such Fund Share as determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is,
 - (A) greater than,
 - (B) greater than or equal to,
 - (C) less than or
 - (D) less than or equal tothe Knock-out Price,
 - (A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Knock-out Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

Knock-out Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

Knock-out Price means, (i) in the case of a single Fund Share, the price per Fund Share or (ii) in the case of a Fund Basket, the amount, in each case specified as such or otherwise

determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Fund Linked Condition 2; and

Knock-out Valuation Time means the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or, in the event that the applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

4. **Automatic Early Redemption**

(a) If the Fund is an ETF and Automatic Early Redemption Event is specified as applicable in the Final Terms, then unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then the Notes will, subject as provided in Fund Linked Condition 7 (Redemption of Termination Date Extension), be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Issuer shall redeem each Note at an amount equal to the relevant Automatic Early Redemption Amount.

(b) **Definitions relating to Automatic Early Redemption**

Unless otherwise specified in the applicable Final Terms:

Automatic Early Redemption Amount means (i) an amount in the Specified Currency specified in the applicable Final Terms or if such amount is not specified, (ii) the product of (A) the denomination of each Note and (B) the relevant Automatic Early Redemption Rate relating to the relevant Automatic Early Redemption Date;

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms, or if such date is not a Business Day, the immediately succeeding Business Day, provided that no additional amount shall be payable to Holders as a result of such delay;

Automatic Early Redemption Event means that (i) in the case of Notes relating to a single Fund Share, the ETF Price or (ii) in the case of Notes relating to a Fund Basket, the Basket Price is,

- (A) greater than,
- (B) greater than or equal to,
- (C) less than or
- (D) less than or equal to

the Automatic Early Redemption Price

(A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Automatic Early Redemption Price means the price per Fund Share or amount specified as such or otherwise determined in the applicable Final Terms;

Automatic Early Redemption Rate means, in respect of any Automatic Early Redemption Date, the rate specified as such in the applicable Final Terms;

Automatic Early Redemption Valuation Date means each date as specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the corresponding provisions in the definition of Valuation Date shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date;

Basket Price means, in respect of any Automatic Early Redemption Valuation Date, an amount determined by the Calculation Agent equal to the sum of, in respect of each Fund Share, the product of (i) the ETF Price in respect of such Fund Share on such Automatic Early Redemption Valuation Date and (ii) the relevant Weighting; and

ETF Price means, in respect of any Automatic Early Redemption Valuation Date, the price per Fund Share as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Automatic Early Redemption Valuation Date.

5. **Extraordinary Fund Events**

Extraordinary Fund Event means, in the determination of the Calculation Agent, the occurrence at any time on or after the Issue Date of any of the following events and any applicable Additional Extraordinary Fund Event:

- (a) the Fund or any Fund Service Provider (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, 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 by it or such regulator, supervisor or similar official, or (2) 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 such proceeding or petition is instituted or presented by a person or entity not described in sub-clause (iii)(1) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not immediately dismissed, discharged, stayed or restrained; (iv) 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; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not immediately dismissed, discharged, stayed or restrained; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an effect analogous to any of the events specified in sub-clauses (i) to (v) above;
- (b) the commencement of any investigative, judicial, administrative or other civil or criminal proceedings against the Fund, any Fund Service Provider or any key personnel of such entities, if such proceedings could (in the opinion of the

Calculation Agent) have an adverse impact on a Hedge Provider's rights or obligations in relation to hedging activities in respect of the Notes;

- (c) any Fund Service Provider or other agent or entity fulfilling such role, howsoever described in the Fund Documents as at the Issue Date, ceases to act in such capacity in relation to the Fund and is not immediately replaced in such capacity by a successor acceptable to the Calculation Agent;
- (d) (i) any of the investment objectives, investment restrictions or investment process (howsoever described) of the Fund are modified from that set out in the Fund Documents except where such change is of a formal, minor or technical nature or (ii) a material modification of the type of assets in which the Fund invests (including but not limited to a material deviation from the investment objectives, investment restrictions or investment process (howsoever described) set out in the Fund Documents);
- (e) a material modification of the Fund (including but not limited to a modification of the Fund Documents) or a material modification of the method of calculating the NAV per Fund Share, or any change in the period or timing of the calculation or the publication of the NAV per Fund Share or the occurrence of any event which in the determination of the Calculation Agent has or may have an adverse impact on the Fund or investors in the Fund (including, without limitation, the suspension of the NAV per Fund Share), in each case other than a modification or event which does not affect the Fund Shares or the Fund or any portfolio of assets to which the Fund Share relate (either alone or in common with other Fund Shares issued by the Fund);
- (f) any Fund Service Provider fails to provide the Calculation Agent, within a reasonable time, with any information that the Calculation Agent has reasonably requested regarding the investment portfolio of the Fund;
- (g) (i) the occurrence of any event affecting a Fund Share that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of the relevant Fund Share; (ii) any failure of the Fund, or its authorised representative, to deliver, or cause to be delivered, (1) information that the Fund has agreed to deliver, or cause to be delivered to the Calculation Agent or Hedge Provider, or (2) information that has been previously delivered to any Hedge Provider or the Calculation Agent, as applicable, in accordance with the Fund's, or its authorised representative's, normal practice and that any Hedge Provider deems necessary for it or the Calculation Agent, as applicable, to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the relevant Fund Share;
- (h) any of the Fund, the Fund Service Providers, howsoever described in the Fund Documents, or any other party acting on behalf of the Fund fails for any reason to calculate and publish the NAV per Fund Share within the Number of NAV Publication Days following any date scheduled for the determination of the valuation of the Fund Shares unless the cause of such failure to publish is of a technical nature and outside the control of the entity responsible for such publication;
- (i) (i) any relevant activities of or in relation to the Fund or the Fund Service Providers are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, (ii) a relevant authorisation or licence is revoked or is under

review by a competent authority in respect of the Fund Service Providers, (iii) the Fund is required by a competent authority to redeem any Fund Shares and/or (iv) the Issuer, the Guarantor and/or any Hedge Provider is required by a competent authority, the Fund or any other relevant entity to dispose of or compulsorily redeem any Fund Shares held in connection with any hedging arrangements relating to the Notes;

- (j) (i) the non-execution or partial-execution by the Fund for any reason of a subscription or redemption order in respect of any Fund Shares (including, for the avoidance of any doubt, any non-execution by the Fund pending completion of its fiscal audit), if such non-execution or partial execution could in the sole determination of any Hedge Provider have an adverse impact on any Hedge Provider's rights or obligations in relation to its hedging activities in relation to the Notes, (ii) the Fund otherwise suspends or refuses transfers of any of its Fund Shares as described in the Fund Documents, (iii) if applicable, the Fund ceases to be an undertaking for collective investments under the relevant jurisdiction's legislation, (iv) the Fund otherwise suspends or refuses redemptions of any of its Fund Shares (including, without limitation, if the Fund applies any gating, deferral, suspension or other similar provisions permitting the Fund to delay or refuse redemption or transfer of Fund Shares) as described in the Fund Documents, (v) the Fund imposes in whole or in part any restriction (including, without limitation, any redemption *in specie*), charge or fee in respect of a redemption or subscription of its Fund Shares by the Issuer or any Hedge Provider or exercises its right to claw back the proceeds already paid on redeemed Fund Shares, if in any case it could in the sole determination of any Hedge Provider have an adverse impact on any Hedge Provider's rights or obligations in relation to its hedging activities in relation to the Notes, (vi) a mandatory redemption, in whole or in part, of the Fund Shares is imposed by the Fund on any one or more holders of Fund Shares at any time for any reason or (vii) the Issuer, any Hedge Provider, or any Affiliate thereof, is required by the Fund or Fund Service Provider to redeem any Fund Shares for any reason;
- (k) the aggregate net asset value of the Fund falls below the level of the NAV Barrier;
- (l) a NAV Trigger Event occurs;
- (m) any proposal to wind up the Fund or the Fund ceases to exist or there exists any litigation against the Fund or a Fund Service Provider which in the determination of the Calculation Agent could materially affect the value of the Fund Shares;
- (n) the currency or denomination of the Fund Share is amended from that set out in the Fund Documents so that the net asset value per Fund Share is no longer calculated in the same currency as at the Trade Date;
- (o) one or more of the key individuals involved with, or having supervision over, the Fund ceases to act in such capacity, and the Fund or relevant Fund Service Provider fails to appoint a replacement having similar qualifications to those of the key individual or individuals ceasing to act;
- (p) following the issue by a Fund of a new class or series (howsoever described in the Fund Documents) of shares, the Calculation Agent, determines that such new class or series of shares has or may have an adverse effect on the hedging activities of the Hedge Provider in relation to the Notes;
- (q) where the Notes are linked to a Fund Basket, a Basket Trigger Event;

- (r) there is a change in or in the official interpretation or administration of any laws or regulations relating to taxation that has or is likely to have a material adverse effect on any hedging arrangements entered into by any Hedge Provider in respect of the Notes, (a **Tax Event**) and, subject as provided below, the Issuer or the Hedge Provider has, for a period of one calendar month following the day the relevant Tax Event became known to it, used reasonable efforts to mitigate the material adverse effect of the Tax Event by seeking to transfer such hedging arrangements to any of its Affiliates, provided that the Issuer or the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period set out above for such mitigation shall be deemed satisfied on any date the Calculation Agent determines that there is no reasonable means of mitigating the Tax Event as provided above;
- (s) in connection with any hedging activities in relation to the Notes, as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, after the Issue Date, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, after such date or as a result of any other relevant event (each a **Relevant Event**) (i) it would become unlawful or impractical for the Issuer or the Hedge Provider to hold (including, without limitation, circumstances requiring the Hedge Provider or the Issuer to adversely modify any reserve, special deposit, or similar requirement or that would adversely affect the amount of regulatory capital that would have to be maintained in respect of any holding of Fund Shares or that would subject a holder of the Fund Shares or the Issuer to any loss), purchase or sell any Fund Shares of the Fund or for the Issuer or the Hedge Provider to maintain such hedging arrangements, (ii) the cost to the Issuer or the Hedge Provider of such hedging activities would be materially increased for any reason or (iii) the Issuer and/or the Hedge Provider would be subject to a material loss and, subject as provided below, the Issuer or the Hedge Provider has, for a period of one calendar week following the day the Relevant Event became known to it, used reasonable efforts to mitigate the effect of the Relevant Event by seeking to transfer such hedging arrangements to any of its Affiliates, provided that the Issuer or the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period of one calendar week set out above shall be deemed satisfied on any date the Calculation Agent determines that that there is no means of mitigating the Relevant Event as provided above;
- (t) in connection with the hedging activities in relation to the Notes, if the cost to the Issuer or the Hedge Provider in relation to the Notes would be materially increased or the Issuer and/or the Hedge Provider would be subject to a material loss; or
- (u) in the case of a Fund which is an ETF, the relevant Exchange announces that pursuant to the rules of such Exchange, the relevant Fund Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on (i) where the Exchange is located in the United States, any of the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market System (or their respective successors) or otherwise (ii) a comparable exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

6. Consequences of an Extraordinary Fund Event

Following the occurrence of an Extraordinary Fund Event including any Additional Extraordinary Fund Event specified in the applicable Final Terms, the Calculation Agent shall, unless otherwise specified in the applicable Final Terms either (i) effect a Substitution (as defined below) if a Substitution Event has occurred or (ii) subject as provided in Fund Linked Condition 7 (Redemption of Termination Date Extension) below, if it is impossible or not reasonably practicable to effect a Substitution or a Termination Event has occurred, redeem the Notes by payment of the Termination Amount on the Termination Date.

(a) Substitution

A **Substitution Event** shall be deemed to have occurred if the Calculation Agent determines that any of the Extraordinary Fund Events set out in sub-paragraphs (a) to (p) (inclusive) of Fund Linked Condition 5 or any Additional Extraordinary Fund Event specified in the applicable Final Terms as being a Substitution Event occurs. Following the occurrence of a Substitution Event in respect of any Fund Share, the Calculation Agent shall:

- (i) determine the weighted average price at which an investor can redeem the affected Fund Shares in the relevant Fund in such number as determined by the Calculation Agent in its sole and absolute discretion as soon as it is reasonably practicable after its determination of the Substitution Event;
- (ii) for a period of not longer than 14 calendar days after the date of its determination of the Substitution Event, use reasonable efforts to substitute the relevant Fund Shares with shares, units or other similar interests in an alternative fund which, in the determination of the Calculation Agent, has similar characteristics to the relevant Fund, including but not limited to, comparable investment objectives, investment restrictions and investment processes and has service providers acceptable to the Calculation Agent;
- (iii) if no alternative fund can be determined pursuant to the preceding sub-paragraph (ii) above, use reasonable efforts to substitute the relevant Fund with an index (or a fund tracking an index) selected by the Calculation Agent in its sole and absolute discretion; and
- (iv) following any substitution in accordance with sub-paragraph (ii) or (iii) above (a **Substitution**), in its sole and absolute discretion amend such of the terms of the Terms and Conditions and/or the applicable Final Terms as it determines to be appropriate to take account of such Substitution, including to ensure the weighted average price referred to in (i) above (and any consequent rise or fall in value of the affected Fund Shares since the Issue Date) is reflected in the terms of the Substitution.

(b) Termination

A **Termination Event** shall be deemed to have occurred in respect to any Fund or Fund Share if any of the Extraordinary Fund Events set out in sub-paragraphs (q) to (u) (inclusive) of Fund Linked Condition 5 or any Additional Extraordinary Fund Event specified in the applicable Final Terms and specified as being a Termination Event occurs. Upon the occurrence of a Termination Event the Issuer shall redeem all but not some only of the Notes on the Termination Date by payment to each Noteholder of the Termination Amount.

Upon determining the occurrence of an Extraordinary Fund Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 13, giving details of the Extraordinary Fund Event and the action to be taken in respect thereof.

7. **Redemption of Termination Date Extension**

If on the Scheduled Redemption Date, Automatic Early Redemption Date or Termination Date, as the case may be, the Hedge Provider has not, (or is deemed to have not), after having placed one or more redemption orders in respect of its holding of Fund Shares in accordance with the terms of the relevant Fund Documents, received redemption proceeds in full in respect of all Fund Shares (the **Redemption Proceeds**), the Calculation Agent may notify the Holders in accordance with General Condition 13 that the Redemption Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, has been postponed. As soon as practicable following receipt (or deemed receipt) by the Hedge Provider of the Redemption Proceeds the Calculation Agent shall give notice to Holders in accordance with General Condition 13 (such notice the **Delayed Payment Notice**) and redeem the Notes on the date falling not more than five Business Days following the receipt of the Delayed Payment Notice (such date, the **Postponed Redemption Date**) by payment to each Holder of the Redemption Amount, the Automatic Early Redemption Amount or the Termination Amount, as the case may be, provided that, if the Hedge Provider does not receive the Redemption Proceeds within the period ending on the date (the **Delayed Payment Cut-off Date**) specified in the applicable Final Terms or, if not so specified, the second anniversary of the Scheduled Redemption Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, the Postponed Redemption Date shall be the Delayed Cut-off Date.

In the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided in General Condition 3 accruing from (and including) the Interest Period End Date immediately preceding the Scheduled Redemption Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, (or, if none, the Interest Commencement Date) to (but excluding) the Scheduled Redemption Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, but shall only be obliged to make such payment of interest on the Postponed Redemption 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.

ANNEX 6

ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

*If specified as applicable in the applicable Final Terms, the terms and conditions applicable to Credit Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Credit Linked Notes set out below (the **Credit Linked Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Credit Linked Conditions, the Credit Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Credit Linked Conditions and (ii) the applicable Final Terms, the applicable Final Terms shall prevail.*

Unless otherwise stated in these Credit Linked Conditions or in the applicable Final Terms, in the event that any day specified in the section “*Credit Linked Notes*” in the applicable Final Terms or the last day of any period calculated by reference to calendar days falls on a day that is not a Business Day, such day or last day shall be subject to adjustment in accordance with the applicable Business Day Convention.

1. **Redemption of Credit Linked Notes**

Unless previously redeemed or purchased and cancelled and subject as provided in Credit Linked Condition 2 and Credit Linked Condition 3 as applicable each nominal amount of Credit Linked Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer at its relevant Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

2. **Auction Settlement**

If Conditions to Settlement are satisfied, then where Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give notice (such notice an **Auction Settlement Notice**) to the Noteholders in accordance with General Condition 13, and, subject to any adjustment in accordance with Credit Linked Condition 13, redeem all but not some only of the Credit Linked Notes, each nominal amount of Credit Linked Notes equal to the Calculation Amount set out in the applicable Final Terms being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.

Unless settlement has occurred in accordance with the paragraph above, if:

- (a) an Auction Cancellation Date occurs;
- (b) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
- (c) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date;

- (d) a Credit Event Determination Date was determined pursuant to paragraph (a) of the definition of Credit Event Determination Date and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Credit Event Determination Date; or
- (e) a Credit Event Determination Date was determined pursuant to paragraph (b)(ii)(A) or (b)(ii)(B) of the definition of Credit Event Determination Date,
- (i) then the Issuer shall redeem the Credit Linked Notes by Cash Settlement (the **Fallback Settlement Method**) in accordance with Credit Linked Condition 3 below.

If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Credit Linked Condition 2, upon payment of the Credit Event Redemption Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.

3. **Cash Settlement**

If Conditions to Settlement are satisfied, then where Cash Settlement is specified as the applicable Settlement Method in the applicable Final Terms or if Credit Linked Condition 2(i) above applies, the Issuer shall give notice (such notice a **Cash Settlement Notice**) to the Noteholders in accordance with General Condition 13, and redeem all but not some only of the Credit Linked Notes, each nominal amount of Credit Linked Notes equal to the Calculation Amount set out in the applicable Final Terms, being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.

If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Credit Linked Condition 3, upon payment of the Credit Event Redemption Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.

4. **No Physical Settlement**

Credit Linked Notes will not be subject to Physical Settlement. To the extent that any terms or provisions of these Credit Linked Conditions relate to Physical Settlement they will be disregarded.

5. **Repudiation/Moratorium Extension**

If “Repudiation/Moratorium” is specified as a Credit Event in the applicable Final Terms, the provisions of this Credit Linked Condition 5 shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or, if Credit Linked Condition 8(y) applies, the Postponed Maturity Date (as defined in Credit Linked Condition 8) 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 Maturity Date, then the Calculation Agent shall notify the Noteholders in accordance with General Condition 13 that a Potential Repudiation/Moratorium has occurred and:

- (a) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
 - (i) each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the Repudiation/Moratorium Evaluation Date; and
 - (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Repudiation/Moratorium Evaluation Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (b) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 or Credit Linked Condition 3, as applicable, shall apply to the Credit Linked Notes.

6. **Grace Period Extension**

If “Grace Period Extension” is specified as applicable in the applicable Final Terms, the provisions of this Credit Linked Condition 6 shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) but, in the determination of the Calculation Agent, a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then the Calculation Agent shall notify the Noteholders in accordance with General Condition 13 that a Potential Failure to Pay has occurred and:

- (a) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
 - (i) each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the Grace Period Extension Date; and
 - (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of

interest on the fifth Business Day following the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or

- (b) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 or Credit Linked Condition 3, as applicable, shall apply to the Credit Linked Notes.

7. **Credit Derivatives Determinations Committee Extension**

If, in the determination of the Calculation Agent, a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) then the Calculation Agent shall notify Noteholders in accordance with General Condition 13 that the Maturity Date has been postponed to a date (the **DC Cut-off Date**) being the earliest of: (i) fifteen (15) Business Days following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred, (ii) the second Business Day following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred and (iii) fifteen (15) Business Days following the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine whether a Credit Event has occurred, and:

- (a) where a Credit Event has not occurred on or prior to the DC Cut-off Date:
 - (i) each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the DC Cut-off Date; and
 - (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or if none the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the DC Cut-off 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
- (b) where a Credit Event has occurred on or prior to the DC Cut-off Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 or Credit Linked Condition 3, as applicable, shall apply to the Credit Linked Notes.

8. **Maturity Date Extension in the case of Credit Linked Notes**

The following provisions of this Credit Linked Condition 8 apply to Credit Linked Notes:

Without prejudice to Credit Linked Condition 10, if:

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

- (y) on the Scheduled Maturity Date, in the determination of the Calculation Agent, a Potential Repudiation/Moratorium may have occurred,

the Calculation Agent may at its option notify the Noteholders in accordance with General Condition 13 that the Maturity Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date or the last day of the Notice Delivery Period, as the case may be, has been postponed to a date (such date the **Postponed Maturity Date**) specified in such notice falling fifteen (15) Business Days after the Scheduled Maturity Date, the previous Repudiation/Moratorium Evaluation Date or Grace Period Extension Date, or the last day of the Notice Delivery Period, as the case may be, or if such day is not a Business Day the immediately succeeding Business Day, and:

where:

- (a) in the case of Credit Linked Condition 8(x), Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date or, in the case of Credit Linked Condition 8(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Maturity Date:

- (i) subject as provided below, each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the Postponed Maturity Date; and

- (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth 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

- (b) where:

- (i) in the case of Credit Linked Condition 8(x), Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Credit Linked Condition 2, Credit Linked Condition 4 or Credit Linked Condition 4, as applicable, shall apply to the Credit Linked Notes; or

- (ii) in the case of Credit Linked Condition 8(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date, the provisions of Credit Linked Condition 5 shall apply to the Credit Linked Notes.

9. **Partial Cash Settlement**

If all or a portion of the Obligations comprising the Entitlement are Undeliverable Obligations and/or Hedge Disruption Obligations, the Issuer shall give notice (a **Partial Cash Settlement Notice**) to the Noteholders in accordance with General Condition 13 and the Issuer shall pay in respect of each Undeliverable Obligation and/or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

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

Unless otherwise specified in the applicable Final Terms, for the purposes of this Credit Linked Condition 9 only the following terms shall be defined as follows:

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 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 (b) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two 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.

Partial Cash Settlement Amount is deemed to be, for an Undeliverable Obligation or a Hedge Disruption Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, multiplied by (B) the Final Price or the Auction Final Price, if applicable, 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 Entitlement), and (ii) zero.

Partial Cash Settlement Date is deemed to be the date falling three Business Days after (i) the calculation of the Final Price or (ii) the Auction Final Price Determination Date, if applicable.

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:

- (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 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.
- (b) 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.
- (c) 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.
- (d) 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 Obligation, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption 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.

10. **Settlement Suspension**

(a) **Suspension**

Without prejudice to Credit Linked Condition 8, if, following the determination of a Credit Event Determination Date in accordance with sub-paragraph (a) of the definition of Credit Event Determination Date but prior to the Credit Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules, the Calculation Agent may, at its option, determine that the applicable timing requirements of this Credit Linked Condition 10 and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other Credit Linked Condition as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a **Suspension Period**) until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved (a) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (b) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (A) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (B) not to determine such matters, the relevant timing requirements of this Credit Linked Condition 10 that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

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

(b) **Interest**

In the case of interest bearing Credit Linked Notes:

- (i) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and

- (ii) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Interest Payment Date and no later than the fifth Interest Payment Date following the end of the Suspension Period, all subject to the provisions of General Condition 4 and Credit Linked Conditions 5, 6 and 7.

11. **Redemption following a Merger Event**

If “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 Noteholders in accordance with General Condition 13, and redeem all but not some only of the Credit Linked Notes and pay in respect of each nominal amount of the Credit Linked Notes equal to the Calculation Amount, the Merger Event Redemption Amount on the Merger Event Redemption Date in each case as specified in the applicable Final Terms.

12. **Definitions applicable to Credit Linked Notes**

2.5-year Limitation Date has the meaning given to that term in the definition of “Limitation Date”.

5-year Limitation Date has the meaning given to that term in the definition of “Limitation Date”.

20-year Limitation Date has the meaning given to that term in the definition of “Limitation Date”.

2005 Matrix Supplement means the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions as published by ISDA on 7th March, 2005.

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) 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;

Auction shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

Auction Cancellation Date shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

Auction Covered Transaction shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

Auction Final Price shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

Auction Final Price Determination Date shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

Auction Settlement Date shall mean the date that is the number of Business Days as shall be specified in the relevant Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the Auction Final Price Determination Date.

Auction Settlement Notice has the meaning given to that term in Credit Linked Condition 2.

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 (30) calendar days of the institution or presentation thereof or before the Scheduled Maturity Date (in the case of Credit Linked Notes), 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 (30) calendar days thereafter or before the Scheduled Maturity Date (in the case of Credit Linked Notes), 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:

- (a) 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
- (b) 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 (a) 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 (14) 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.

Calculation Agent Physical Settlement Notice has the meaning given to that term in the definition of Conditions to Settlement.

Cash Settlement Notice has the meaning given to that term in Credit Linked Condition 3.

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 requirements set out in each of (a), (b) and (c), as applicable, below:

- (a) all of the Conditions to Settlement shall be deemed to be satisfied by the occurrence of a Credit Event Determination Date except where such Credit Event Determination Date is subsequently reversed prior to the Auction Final Price Determination Date or, a Valuation Date, the Credit Settlement Date, the Credit Event Redemption Date or the Maturity Date, as applicable;
- (b) if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information Condition to Settlement is satisfied if either (i) the Calculation Agent delivers to the Issuer a Notice of Publicly Available Information that is effective during one of the periods specified in paragraph (a) of the definition of Credit Event Determination Date or (ii) ISDA publicly announces on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for purposes of the relevant Credit Linked Notes has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (c) the Calculation Agent delivers to the Issuer a notice of physical settlement (a **Calculation Agent Physical Settlement Notice**), subject where applicable to Credit Linked Condition 10, on or prior to the later of:
 - (i) the thirty-second calendar day (subject to adjustment in accordance with the applicable Business Day Convention) after the Credit Event Determination Date; and
 - (ii) the twelfth calendar day after either (I) the date of the relevant DC Credit Event Announcement, if any, or (II) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date.

For purposes of determining whether the conditions of this paragraph (c) have been satisfied, the effective date of delivery of the Calculation Agent Physical Settlement Notice (whether or not subsequently changed) shall be used.

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 Derivatives Auction Settlement Terms means any Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, a form of which will be published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules.

Credit Derivatives Determinations Committees (and each a **Credit Derivatives Determinations Committee**) means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof (the **Rules**).

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.

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

- (a) any lack or alleged lack of authority or capacity of 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 Backstop Date means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in paragraph (b) of the definition of

Repudiation/Moratorium), as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date; or

- (b) otherwise, the date that is sixty (60) calendar days prior to the earlier of:
 - (i) the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during the Notice Delivery Period; and
 - (ii) in circumstances where:
 - (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraph (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules;
 - (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters; and
 - (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer not more than fourteen (14) calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters,

the Credit Event Resolution Request Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

Credit Event Determination Date means, in respect of any Credit Event:

- (a) subject to subsection (b) below, if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred, the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during either:
 - (i) the Notice Delivery Period; or
 - (ii) the period (I) from, and including, the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date (II) to, and including, the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)); or

- (b) notwithstanding paragraph (a) above, if a DC Credit Event Announcement has occurred, either:
- (i) the Credit Event Resolution Request Date, if
 - (A) either:
 - I. Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms; or
 - II. the relevant Credit Event is a Restructuring; and
 - (B) the Credit Event Notice is delivered by the Calculation Agent to the Issuer on or prior to the date falling two Business Days after the Exercise Cut-off Date; or
 - (ii) the first date on which the Credit Event Notice is delivered by the Calculation Agent to the Issuer during (I) the Notice Delivery Period or (II) the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant DC Credit Event Announcement to, and including, the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:
 - (A) Auction Settlement is not specified as the applicable Settlement Method in the applicable Final Terms; or
 - (B) Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and the Credit Event Notice is delivered by the Calculation Agent to the Issuer on a date that is later than the date falling two Business Days after the relevant Exercise Cut-off Date,

provided that, in the case of paragraph (b) above, (1) this shall be subject to any adjustment in accordance with Credit Linked Condition 13 and (2) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the Calculation Agent to the Issuer unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date; and

provided further that no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, the Credit Settlement Date, the Credit Event Redemption Date or the Maturity Date as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant Reference Entity or Obligation thereof.

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or

(ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such adjustment(s) to these Credit Linked Conditions (including any adjustment to payment amounts) as may be required to achieve as far as practicable the same economic position of Noteholders as would have prevailed had a Credit Event Determination Date occurred on such deemed date of occurrence and (2) the effective date of such adjustment(s).

Credit Event Notice means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred at or after the Credit Event Backstop Date (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant Time).

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 General Condition 13.

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 Calculation Amount;

“B” is the Final Price or the Auction Final Price, as applicable; and

“C” is Unwind Costs,

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

Credit Event Redemption Date means, subject to Credit Linked Condition 10, the day falling the number of Business Days specified in the applicable Final Terms after (i) the calculation of the Final Price or (ii) the Auction Settlement Date, as applicable.

Credit Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Credit Event has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with

the Rules, of Publicly Available Information with respect to the DC Resolutions referred to in paragraphs (a) and (b) above.

As at the date of the Base Prospectus, the Rules provide that each "Eligible Market Participant" (being each party which is a party to a credit derivatives transaction that have, or are deemed to have incorporated the March 2009 Supplement or the July 2009 Supplement in a confirmation) is permitted to deliver such a notice to ISDA pursuant to the Rules.

Credit Settlement Date means the last day of the longest Physical Settlement Period following the satisfaction of Conditions to Settlement (the **Scheduled Credit Settlement Date**) provided that if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Credit Settlement Date, the Credit 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 sixty (60) Business Days following the Scheduled Credit Settlement Date.

Currency Amount means, with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each Physical Settlement Amendment Notice with respect to that portion of the relevant Credit Linked Notes into the currency of denomination of the relevant Replacement Deliverable Obligation.

Currency Rate means, with respect to (a) a Deliverable Obligation specified in the Notice of Physical Settlement, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the Revised Currency Rate.

Currency Rate Source means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.

DC Credit Event Announcement means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved that (a) an event that constitutes a Credit Event has occurred with respect to such Reference Entity (or an Obligation thereof) and (b) such event occurred on or after the Credit Event Backstop Date (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant Time). A DC Credit Event Announcement will be deemed not to have occurred unless (i) the Credit Event Resolution Request Date with respect to such Credit Event occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and (ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is twenty-one (21) calendar days following the No Auction Announcement Date, if any, as applicable.

DC Cut-off Date has the meaning given to that term in Credit Linked Condition 7.

DC No Credit Event Announcement means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, that the event that is the subject of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a Credit Event with respect to such Reference Entity (or an Obligation thereof).

DC Resolution has the meaning set out in the Rules.

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 Entitlement 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 the Entitlement 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 Credit Linked Condition 4:

- (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, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (b) 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, defence (other than a counterclaim or defence 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.
 - (i) *Method for Determining Deliverable Obligations.* For the purposes of this definition of “Deliverable Obligation”, the term “Deliverable Obligation” may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to (ii)(C) below, having each of the Deliverable 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 either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:
 - (A) **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).
 - (B) **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:

- (1) 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
- (2) 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 Credit 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.

(ii) *Interpretation of Provisions.*

(A) 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;

(B) 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;

- (C) 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
- (D) 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: 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.
 - 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 or 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 “Partial Cash Settlement Amount” and “Quotation Amount” in Credit Linked Condition 9) 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 (ii) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

Deliverable Obligation Terms has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

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

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. As used herein, **Voting Shares** shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

Due and Payable Amount means, subject as provided in sub-paragraph (D)(VI) of paragraph (ii) (*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:

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

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

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

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

Enabling Obligation means an outstanding Deliverable Obligation that (i) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (ii) has a final maturity date occurring on or prior to the Scheduled Maturity Date and following the Limitation Date immediately preceding the Scheduled Maturity Date (or, in circumstances where the Scheduled Maturity Date occurs prior to the 2.5-year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any).

Entitlement means, in respect of each nominal amount of Credit Linked Notes equal to the Calculation Amount, as applicable, Deliverable Obligations, as selected by the Calculation Agent, with:

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

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

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.

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.

Exercise Cut-off Date means, with respect to a Credit Event:

- (a) if such Credit Event is not a Restructuring (or if such Credit Event is a Restructuring, such Restructuring has occurred and neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms), either:
 - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
 - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
 - (iii) the date that is twenty-one (21) calendar days following the No Auction Announcement Date, if any,as applicable; or
- (b) if such Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and:
 - (i) the relevant Credit Derivatives Determinations Committee has Resolved that Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is five Relevant City Business Days following the date on which ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules; or
 - (ii) a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date, the date that is twenty-one (21) calendar days following such No Auction Announcement Date.

Extension Date means the latest of:

- (a) the Scheduled Maturity Date (for the purposes of this definition of Extension Date, 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 or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Failure to Pay that occurs after the Scheduled Termination Date (determined by reference to the Relevant Time), and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time); and
- (c) the Repudiation/Moratorium Evaluation Date if (i) “Repudiation Moratorium” is specified as a Credit Event in the applicable Final Terms, (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in paragraph (b) of the definition of Repudiation/Moratorium occurs after the Scheduled Termination Date

(determined by reference to the Relevant Time), (iii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time) and (iv) the Repudiation/Moratorium Extension Condition is satisfied.

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.

Fallback Settlement Method has the meaning given to that term in Credit Linked Condition 2.

Final List has the meaning set out in the Rules.

Final Price means the price of the relevant Reference Obligation(s), as the case may be, expressed as a percentage, determined in accordance with the Valuation Method specified in the applicable Final Terms or, where applicable, Credit Linked Condition 13. The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the Principal Paying Agent (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

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 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 Maturity Date (determined by reference to the Relevant Time) and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time), 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 (30) calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three 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 Maturity Date.

Grace Period Business Day means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, 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 Maturity Date (determined by reference to the Relevant Time),

the date 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 Credit Linked Notes.

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

ISDA means the International Swaps and Derivatives Association, Inc.

Latest Maturity Restructuring Bond or Loan has the meaning given to that term in the definition of “Restructuring Maturity Limitation Date”.

Limitation Date means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the **2.5-year Limitation Date**), 5 years (the **5-year Limitation Date**), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the **20-year Limitation Date**), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention unless it is specified in the applicable Final Terms that Limitation Dates will be adjusted in accordance with a specified Business Day Convention.

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 Maturity Date either (A) the Issuer, the Guarantor or a Reference Entity (any such entity, the **Mergor**) consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to (i) where the Mergor is the Issuer or the Guarantor, a Reference Entity or (ii) where the Mergor is a Reference Entity, the Issuer or the Guarantor, or (B) (i) either of the Issuer or the Guarantor and (ii) 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 or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

Modified Restructuring Maturity Limitation Date means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date, provided that, in circumstances where the Scheduled Maturity Date is later than the 2.5 year Limitation Date, at least one Enabling Obligation exists. Where “Modified

Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and the Scheduled Maturity Date is later than the 2.5 year Limitation Date and prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Maturity Date is either (i) on or prior to the 2.5-year Limitation Date or (ii) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only.

Subject to the foregoing, in the event that the Scheduled Maturity Date is later than (A) the 2.5 year Limitation Date and no Enabling Obligation exists or (B) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

Movement Option means, where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms, and where a No Auction Announcement Date has occurred pursuant to paragraph (b) of the definition of No Auction Announcement Date, the option of the Issuer to apply to the Credit Linked Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that could be specified in any Calculation Agent Physical Settlement Notice (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the Credit Linked Notes will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, such event will be notified to Noteholders in accordance with General Condition 13.

Movement Option Cut-off Date means the date that is six Relevant City Business Days following the Exercise Cut-off Date.

Next Currency Fixing Time means 4:00 p.m. (London time) on such London Business Day as the Calculation Agent shall select falling no more than five (5) London Business Days immediately preceding the date on which the Notice of Physical Settlement or relevant Physical Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is effective. For the purposes of determining the Next Currency Fixing Time, **London Business Day** means a day on which banks and foreign exchange markets are generally open to settle payments in London.

No Auction Announcement Date means, with respect to a Credit Event, the date on which ISDA first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of a Restructuring where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms only, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary.

Notice Delivery Period means the period from and including the Trade Date to and including the date that is fourteen (14) calendar days after the Extension Date.

Notice of Publicly Available Information means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. 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 (a) and (b) 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 applicable 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 Credit Linked Condition 17.

Notice to Exercise Movement Option means, where (a) either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date.

Obligation means:

- (a) any obligation of 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 either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (a) **Obligation Category** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Final Terms, where:

- (i) **Payment** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (ii) **Borrowed Money** means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
 - (iii) **Reference Obligations Only** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (iv) **Bond** means any obligation of a type included in the “Borrowed Money” Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
 - (v) **Loan** means any obligation of a type included in the “Borrowed Money” Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
 - (vi) **Bond or Loan** means any obligation that is either a Bond or a Loan.
- (b) **Obligation Characteristics** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the applicable Final Terms, where:
- (i) (A) **Not Subordinated** means an obligation that is not Subordinated to
 - (1) the most senior Reference Obligation in priority of payment or,
 - (2) if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the Reference Entity provided that, if any of the events set forth under paragraph (a) of the definition of Substitute Reference Obligation has occurred with respect to all of the Reference Obligations or if the final paragraph of the definition of Successor is applicable with respect to the Reference Obligation (each, in each case, a “Prior Reference Obligation”) and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the “Not Subordinated” Obligation Characteristic or Deliverable Obligation Characteristic, as applicable, “Not Subordinated” shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. 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 or each prior Reference Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued

or incurred and shall not reflect any change to such ranking in priority of payment after such 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;
- (ii) **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”);
- (iii) **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”;
- (iv) **Not Domestic Currency** means any obligation that is payable in any currency other than the Domestic Currency;
- (v) **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;
- (vi) **Listed** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (vii) **Not Domestic Issuance** means any obligation other than an obligation that was, 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 (D)VI of paragraph (ii) (*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.

Parallel Auction means “Auction” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Cancellation Date means “Auction Cancellation Date” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Final Price Determination Date means “Auction Final Price Determination Date” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Settlement Date means “Auction Settlement Date” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Settlement Terms means, following the occurrence of a Restructuring where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which (i) the Deliverable Obligation Terms are the same as the Reference Transaction and (ii) the Reference Transaction would not be an Auction Covered Transaction.

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.

Permissible Deliverable Obligations has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

Permitted 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, subject to Credit Linked Condition 10, 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 Entitlement, 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 Credit Event means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or if a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. A Credit Derivatives Determinations Committee and the Calculation Agent may each determine whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred.

Potential Failure to Pay means the failure by 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 (a) of the definition of Repudiation/Moratorium.

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).

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 on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information 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, paying agent, facility agent or agent bank 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, paying agent, facility agent or agent bank 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, paying agent, facility agent or agent bank for the Obligation with respect to which a Credit Event has occurred and (ii) a holder of such Obligation, 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 such Obligation.
- (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 the party receiving such information.
- (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.

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 (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, assigned or otherwise altered 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.

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 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. 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 either (a) identified pursuant to the definition of “Successor” on or following the Trade Date or (b) in respect of which ISDA publicly announces on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules shall, in each case, 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.

Reference Transaction means a hypothetical credit derivative transaction:

- (a) for which the Deliverable Obligation Terms and the Reference Obligation are (i) the same as in respect of the Credit Linked Notes (if such Deliverable Obligation Terms and Reference Obligation are specified in the applicable Final Terms) or (ii) if and to the extent the Deliverable Obligation Terms and/or the Reference Obligation are not specified, the Deliverable Obligation Terms and Reference Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;
- (b) with a scheduled termination date matching the Scheduled Maturity Date of the Credit Linked Notes; and
- (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Issuer's hedging arrangements and/or any credit derivative elections made in relation to the Credit Linked Notes.

Relevant City Business Day has the meaning set out in the Rules.

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.

Relevant Time means Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement) Tokyo time).

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:

- (a) 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

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

Repudiation/Moratorium Evaluation Date means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) (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 sixty (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 sixty (60) days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

Repudiation/Moratorium Extension Condition will be satisfied:

- (a) if ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to (i) the Scheduled Maturity Date (determined by reference to the Relevant Time) or, (ii) if Credit Linked Condition 8(y) applies, the Postponed Maturity Date (determined by reference to the Relevant Time); or
- (b) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available is specified as applicable in the applicable Final Terms, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date.

In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Maturity Date (determined by reference to the Relevant Time).

As at the date of the Base Prospectus, the Rules provide that each “Eligible Market Participant” (being each party which is a party to a credit derivatives transaction that have, or are deemed to have incorporated the March 2009 Supplement or the July 2009 Supplement in a confirmation) is permitted to deliver such a notice to ISDA pursuant to the Rules.

Repudiation/Moratorium Extension Notice means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or after the Trade Date and on

or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time). A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

Resolve has the meaning set out in the Rules, and **Resolved** and **Resolves** shall be interpreted accordingly.

Restructured Bond or Loan means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

Restructuring means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all the holders of the Obligation or is announced (or otherwise decreed) by 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 (a) the Credit Event Backstop Date applicable to the relevant Credit Linked Notes and (b) 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 this definition of Restructuring and Credit Linked Condition 14, 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.

Restructuring Date means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

Restructuring Maturity Limitation Date means with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date, provided that, in circumstances where the Scheduled Maturity Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a **Latest Maturity Restructured Bond or Loan**) and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Maturity Date is later than (i)(A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (ii) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

Revised Currency Rate means, with respect to a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Replacement Deliverable Obligation is denominated that is determined either (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, by the Calculation Agent.

Rules has the meaning given to that term in the definition of “Credit Derivatives Determinations Committee” above.

Scheduled Maturity Date has the meaning given to it in the relevant Final Terms

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 Credit Linked Notes.

Settlement Method means, if (a) Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms, Auction Settlement or (b) Cash Settlement is specified as the applicable Settlement Method in the applicable Final Terms, Cash Settlement.

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 (C) of “(ii) 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 (i) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date), (ii) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer and (iii) is an obligation of the relevant 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 Extension Date. If (A) either (i) Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method) and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or (ii) Auction Settlement is specified as the Settlement Method in the applicable Final Terms and the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date (determined by reference to the Relevant Time), a Substitute Reference Obligation has not been identified, then (1) if “Redemption on failure to identify a Substitute Reference Obligation” is specified as applicable in the applicable Final Terms, the Issuer shall have the right on or after the Extension Date to redeem the Credit Linked Notes at the Early Redemption Amount, (determined by the Calculation Agent taking into account the creditworthiness of the Reference Entity at the time of the early redemption) by notice to Noteholders in accordance with General Condition 13 (such payment to be made as specified in such notice), or (2) if “Redemption on failure to identify a Substitute Reference Obligation” is specified as not applicable in the applicable Final Terms, the obligations of the Issuer under the

Credit Linked Notes shall cease as of the end of the day on the Extension Date (determined by reference to the Relevant Time).

- (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 (i) with respect to a Reference Entity that is not a Sovereign, 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 or (ii) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity. Notwithstanding the foregoing, "Succession Event" shall not include an event (A) 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 or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the Succession Event Backstop Date (determined by reference to the Relevant Time) applicable to the relevant Series.

Succession Event Backstop Date means:

- (a) for purposes of any event that constitutes a Succession Event, as determined by DC Resolution, the date that is ninety (90) calendar days prior to the Succession Event Resolution Request Date (determined by reference to the Relevant Time); or
- (b) otherwise, the date that is ninety (90) calendar days prior to the earlier of:
 - (i) the date on which the Succession Event Notice is effective; and
 - (ii) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than fourteen (14) calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless specified in the applicable Final Terms that the Succession Event Backstop Date will be adjusted in accordance with a specified Business Day Convention.

Succession Event Notice means a notice from the Calculation Agent to the Issuer that describes a Succession Event that occurred on or after the Succession Event Backstop Date (determined by reference to the Relevant Time).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, of (i) whether a Succession Event has occurred and (ii) if relevant, the identity of any Successor(s).

Succession Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event for purposes of a Series has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (A) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (B) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

As at the date of the Base Prospectus, the Rules provide that each “Eligible Market Participant” (being each party which is a party to a credit derivatives transaction that have, or are deemed to have incorporated the March 2009 Supplement or the July 2009 Supplement in a confirmation) is permitted to deliver such a notice to ISDA pursuant to the Rules.

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 the 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, each entity which becomes a direct or indirect successor to such Reference Entity by way of a Succession Event irrespective of whether any such successor assume(s) any of the obligations of such Reference Entity.

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 (14) calendar days after the legally effective date of the occurrence of the relevant Succession Event), and with effect from the legally effective date of the occurrence of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable provided that the Calculation Agent will not make any such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in (a) above and paragraphs (a) and (b)(A) of the definition of Succession Event Resolution Request Date (in the case of a Reference Entity that is not a Sovereign) or (b) above and paragraphs (a) and (b)(B) of the definition of Succession Event Resolution Request Date (in the case of a Sovereign Reference Entity) are satisfied in accordance with the Rules (until such time (if any) that ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi), 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 Principal Paying Agent.

Where pursuant to paragraph (a)(iii) or (a)(vi), 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 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 Credit Linked Notes 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 Noteholders in accordance with General Condition 13 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 and accepted 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;
- (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.

Transaction Auction Settlement Terms means, with respect to a Credit Event, the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of Credit Derivatives Auction Settlement Terms), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at www.isda.org (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, *inter alia*, definitions of “Auction”, “Auction Cancellation Date”, “Auction Covered Transaction” and “Auction Final Price Determination Date” in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the Credit Linked Notes shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives

Auction Settlement Terms). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in these Credit Linked Conditions principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the Credit Linked Notes.

Undeliverable Obligation means a Deliverable Obligation included in the Entitlement which, on the Credit Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order 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 Credit 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 (including loss of funding), fees, charges, expenses, tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Credit Linked Notes 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 the Credit Linked Notes equal to the Calculation Amount.

Valuation Date means 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 satisfaction of all Conditions to Settlement or, if the number of Business Days is not so specified, five Business Days after the satisfaction of all Conditions to Settlement (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Method, the 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 Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable), and if “Multiple Valuation Dates” is specified in the applicable Final Terms, each of the following dates:

- (a) subject to Credit Linked Condition 10, the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not specified, five Business Days) following the satisfaction of all Conditions to Settlement (or if Cash Settlement is the applicable Fallback Settlement Method, the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not specified, five Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
- (b) each successive date that is the number of Business Days specified in the applicable 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 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 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 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 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.
- (f) Where applicable, the applicable Final Terms may specify an alternative Valuation Method which shall be applicable in respect of the relevant Credit Linked Notes.

Valuation Time means 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 Reference Obligation.

Voting Shares shall have the meaning given to it in the definition of Downstream Affiliate above.

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.

13. **Credit Event Notice after Restructuring Credit Event**

If this Credit Linked Condition 13 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 with respect to a Series for which either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms:

- (a) the Calculation Agent may deliver multiple Credit Event Notices in respect of such Restructuring, each such Credit Event Notice setting forth an amount (the **Partial Redemption Amount**) that may be less than the aggregate Nominal Amount of those Credit Linked Notes outstanding immediately prior to the delivery of such Credit Event Notice. In such circumstances the Credit Linked Conditions and related provisions shall be deemed to apply to the Partial Redemption Amount only and each such Credit Linked Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (A) the nominal amount of each Credit Linked Note not so redeemed in part shall remain outstanding and interest shall accrue on the nominal amount outstanding of such Credit Linked Note as provided in General Condition 4 (adjusted in such manner as the Calculation Agent determines to be appropriate), (B) the Credit Linked Conditions and related provisions shall apply to such nominal

amount outstanding of such Credit Linked Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event and (C) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable or deliverable to Noteholders under the relevant Series, the Calculation Agent will (x) determine such adjustment(s) to these Terms and Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Credit Linked Condition 13 and (y) the effective date of such adjustment(s).

- (c) If the provisions of this Credit Linked Condition 13(b) apply in respect of the Credit Linked Notes, on redemption of part of each such Credit Linked Note the relevant Credit Linked Note or, if the Credit Linked Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.

14. **Provisions relating to Multiple Holder Obligation**

If this Credit Linked Condition 14 is specified as applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in sub-paragraphs (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.

15. **Provisions taken from the ISDA supplement titled “Additional Provisions for Physically Settled Default Swaps– Monoline Insurer as Reference Entity (January 2005)”**

If this Credit Linked Condition 15 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 Credit Linked Condition 12 and paragraph (a) of the definition of **Deliverable Obligation** in Credit Linked Condition 12 are hereby amended by adding “or Qualifying Policy” after “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 (ii) of the definition of **Deliverable Obligation** in Credit Linked Condition 12 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 these Credit Linked Conditions in respect of such an Insured Instrument shall be construed accordingly;

- (ii) references in the definitions of Assignable Loan and Consent Required Loan to the **guarantor** and **guaranteeing** shall be deemed to include the **insurer** and **insuring**, respectively;
 - (iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable 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 Credit Linked Condition 15 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 Credit Linked Condition 12, “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 Credit Linked Condition 12 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 Credit Linked Condition 12 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) *Restructuring*
- (i) With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, paragraphs (i) to (v) inclusive of the definition of “Restructuring” in Credit Linked Condition 12 are hereby amended to read as follows:
- “(i) a reduction in the rate or amount of the Instrument Payments in paragraph (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy;
 - (ii) a reduction in the amount of the Instrument Payments described in paragraph (A)(y) of the definition thereof that are guaranteed or insured by the Qualifying Policy;
 - (iii) a postponement or other deferral of a date or dates for either (x) the payment or accrual of the Instrument Payments described in paragraph (A)(x) of the definition thereof or (y) the payment of the Instrument Payments described in paragraph (A)(y) of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;
 - (iv) a change in the ranking in priority of payment of (x) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (y) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or
 - (v) any change in the currency or composition of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency which is not a Permitted Currency.”
- (ii) Paragraph (c) of the definition of “Restructuring” in Credit Linked Condition 12 is hereby amended by adding “or, in the case of a Qualifying Policy and an Insured Instrument, where (A) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the Qualifying Policy” after “Reference Entity”.

- (iii) The definition of “Restructuring” in Credit Linked Condition 12 is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

“For purposes of this definition of “Restructuring” in and if Credit Linked Condition 14 is specified as applying in the applicable Final Terms, for the purposes of the Credit Linked Conditions the term “Obligation” shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in this definition of “Restructuring” shall be deemed to refer to the Insured Obligor and the references to the Reference Entity in paragraphs (a) to (c) inclusive in this definition of “Restructuring” shall continue to refer to the Reference Entity.”

- (h) *Fully Transferable Obligation and Conditionally Transferable Obligation.* In the event that “Restructuring Maturity Limitation and Fully Transferable Obligation” and/or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation” is specified as applicable in the applicable Final Terms and a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition. References in the definition of “Conditionally Transferable Obligation” to the “guarantor” and “guaranteeing” shall be deemed to include “the “insurer” and “insuring” respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “final maturity date”, as such term is used in Credit Linked Condition 4 and the definition of “Restructuring Maturity Limitation Date”, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- (i) *Other Provisions.* For purposes of paragraph (a)(ii) of the definition of **Deliverable Obligation** and the definitions of **Credit Event** and **Deliver** in Credit Linked Condition 12 references to the **Underlying Obligation** and the **Underlying Obligor** shall be deemed to include “Insured Instruments” and the “Insured Obligor”, respectively.
- (j) Additional Definitions.

Qualifying Policy means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Credit Linked Condition 15) (the **Insured Instrument**) for which another party (including a special purpose entity or trust) is the obligor (the **Insured Obligor**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments).

Instrument Payments means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B)

in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Credit Linked Condition 15(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

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

16. Supplement to provisions relating to Qualifying Guarantee and Underlying Obligation

(a) If this Credit Linked Condition 16 is specified as applicable in the applicable Final Terms, the Credit Linked Conditions shall be amended by:

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

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

(ii) the deletion of paragraphs (ii)(D)II and (ii)(D)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) Credit Linked Condition 14 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”.

17. **Calculation Agent Notices**

Any notice to be delivered by the Calculation Agent to the Issuer or the Guarantor, as applicable, pursuant to these Credit Linked Conditions may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice delivered on or prior to 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. Any such 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.

18. **Provisions taken from the ISDA supplement titled “Additional Provisions for LPN Reference Entities” (published on 3 October 2006)**

If this Credit Linked Condition 18 is specified as applicable in the applicable Final Terms, notwithstanding anything to the contrary in the Credit Linked Conditions, the following provisions will apply:

- (a) provisions relating to Multiple Holder Obligation will be deemed to be Not Applicable with respect to any Reference Obligation (and any Underlying Loan);
- (b) each Reference Obligation will be an Obligation, notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to the definition of “Obligation” in Credit Linked Condition 12, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity;
- (c) each Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to the definition of “Deliverable Obligation” in Credit Linked Condition 12 and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity.

For the avoidance of doubt with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation.

The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic shall be construed as if no Reference Obligation was specified in respect of the Reference Entity;

- (d) the definition of Reference Obligation shall be deleted and the following substituted therefor:

“**Reference Obligation** means, as of the Trade Date, each of the obligations listed as a Reference Obligation of the Reference Entity in the applicable Final Terms or set forth on the relevant LPN Reference Obligations List (each a **Markit Published LPN Reference Obligation**), as published by Markit Group Limited, or any successor thereto, which list is as of the Issue Date available at <http://www.markit.com/marketing/services.php>, any Additional LPN and each Additional Obligation.”; and

- (e) the following additional definitions shall apply:

Additional LPN means any bond issued in the form of a loan participation note (a **LPN**) by an entity (the **LPN Issuer**) for the sole purpose of providing funds for the LPN Issuer to (a) finance a loan to the Reference Entity (the **Underlying Loan**) or (b) provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the **Underlying Finance Instrument**), provided that (i) either (x) in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity or (y) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics (ii) the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Credit Linked Specified Currency – Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and (iii) the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs.

Additional Obligation means each of the obligations listed as an Additional Obligation of the Reference Entity in the applicable Final Terms or set forth on the relevant LPN Reference Obligations List (each a **Markit Published LPN Reference Obligation**), as published by Markit Group Limited, or any successor thereto, as of the Trade Date, which list is currently available at <http://www.markit.com/marketing/services.php>.

First Ranking Interest means a charge, security interest (or other type of interest having similar effect) (an **Interest**), which is expressed as being “first ranking”, “first priority”, or similar (**First Ranking**) in the document creating such Interest (notwithstanding that such Interest may not be First Ranking under any insolvency laws of any related insolvency jurisdiction of the LPN Issuer).

LPN Reference Obligation means each Reference Obligation other than any Additional Obligation.

For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation constituting a Reference Obligation.

Each LPN Reference Obligation is issued for the sole purpose of providing funds for the Issuer to finance a loan to the Reference Entity. For the purposes of the Credit Linked Conditions each such loan shall be an Underlying Loan.

19. **Amendment of Credit Linked Conditions in accordance with Market Convention**

The Calculation Agent may from time to time amend any provision of these Credit Linked Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the Credit Derivatives Determinations Committees which the Calculation Agent determines in a commercially reasonable manner are necessary or desirable to reflect or govern market practice for credit derivative transactions. Any amendment made in accordance with this Credit Linked Condition 19 shall be notified to the Noteholders in accordance with General Condition 13.

ANNEX 7

ADDITIONAL TERMS AND CONDITIONS FOR CUSTOM INDEX LINKED NOTES

*The terms and conditions applicable to Custom Index Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Custom Index Linked Notes set out below (the **Custom Index Linked Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Custom Index Linked Conditions, the Custom Index Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Custom Index Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

1. Adjustments to a Custom Index and Custom Index Disruption

(a) Successor Index Sponsor Calculates and Reports an Index

If a relevant Custom Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (the **Successor Index Sponsor**) acceptable to the Calculation Agent, or (ii) replaced by a successor custom index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Custom Index, then in each case that custom index (the **Successor Custom Index**) will be deemed to be the Custom Index.

(b) Modification and Cessation of Calculation of a Custom Index and Custom Index Disruption

If (i) on or prior to the last Valuation Date, the last Observation Date or the last Averaging Date, the last Automatic Early Redemption Valuation Date, the last Knock-in Determination Day, the last Knock-out Determination Day or the last Strike Date, the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Custom Index or in any other way materially modifies that Custom Index (a **Custom Index Modification**), or permanently cancels a relevant Custom Index and no Successor Custom Index exists (a **Custom Index Cancellation**), or (ii) on a Valuation Date, an Observation Date, an Averaging Date, an Automatic Early Redemption Valuation Date, a Knock-in Determination Day, a Knock-out Determination Day or a Strike Date, the Index Sponsor or (if applicable) the Successor Custom Index Sponsor fails to calculate and announce the relevant level(s) for a relevant Custom Index or it is not a Custom Index Trading Day (a **Custom Index Disruption** and, together with a Custom Index Modification and a Custom Index Cancellation, each a **Custom Index Adjustment Event**), then:

- (i) in the case of Custom Index Linked Notes relating to a single Custom Index:
 - (A) if the Custom Index Adjustment Event is a Custom Index Disruption which occurs or is occurring on the last Valuation Date, the last Averaging Date, the last Observation Date, the last Automatic Early Redemption Valuation Date, the last Knock-in Determination Day, the last Knock-out Determination Day or the last Strike Date, then such Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day,

Knock-out Determination Day or Strike Date, as the case may be, shall be the first succeeding Scheduled Custom Index Business Day on which a Custom Index Disruption is not occurring, unless there is a Custom Index Disruption on each of the number of consecutive Scheduled Custom Index Business Days equal to the Specified Maximum Days of Disruption immediately following the scheduled Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or Strike Date, as the case may be, in which case the last such consecutive Scheduled Custom Index Business Day shall be deemed to be the Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Strike Date, as the case may be, notwithstanding the Custom Index Disruption and the Calculation Agent shall determine the Settlement Price by using commercially reasonable efforts to determine the level of the Custom Index as of the Valuation Time on the last such consecutive Scheduled Custom Index Business Day in accordance with the formulae for and method of calculating the Custom Index last in effect prior to the occurrence of the Custom Index Disruption and using its good faith estimate of the value for the components of the Custom Index;

- (B) following a Custom Index Modification or Custom Index Cancellation at any time or a Custom Index Disruption (which in the latter case occurs or is occurring on the Strike Date, an Averaging Date (other than the last Averaging Date), an Observation Date (other than the last Observation Date) a Valuation Date (other than the last Valuation Date), an Automatic Early Redemption Valuation Date (other than the last Automatic Early Redemption Valuation Date), a Knock-in Determination Day (other than the last Knock-in Determination Day) or a Knock-out Determination Day (other than the last Knock-out Determination Day), the Calculation Agent shall determine if such Custom Index Adjustment Event has a material effect on the Notes and, if so:
 - (1) if the Custom Index Adjustment Event is a Custom Index Disruption which occurs or is occurring on the Strike Date, an Averaging Date, an Observation Date, an Automatic Early Redemption Valuation Date, a Knock-in Determination Day or a Knock-out Determination Day or a Valuation Date, the Calculation Agent may determine that the Strike Date, relevant Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be, shall be the first succeeding Scheduled Custom Index Business Day (in the case of the Strike Date, the Automatic Early Redemption Valuation Date, the Knock-in Determination Day, the Knock-out Determination Day or the Valuation Date) or Valid Date (in the case of an Averaging Date or Observation Date, as the case may be) unless there is a Custom Index Adjustment Event on each of the number of consecutive Scheduled Custom Index Business Days equal to the Specified Maximum Days of Disruption immediately

following the scheduled Strike Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be, in which case the Calculation Agent may determine that the last such consecutive Scheduled Custom Index Business Day shall be deemed to be the Strike Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be (irrespective, in the case of an Averaging Date, or an Observation Date, of whether that last consecutive Scheduled Custom Index Business Day is already an Averaging Date or an Observation Date, as the case may be) and may determine the Settlement Price by using commercially reasonable efforts to determine a level of the Custom Index as of the Valuation Time on the last such consecutive Scheduled Custom Index Business Day in accordance with the formulae for and method of calculating the Custom Index last in effect prior to the occurrence of the Custom Index Adjustment Event and using its good faith estimate of the value for the components of the Custom Index; or

- (2) the Calculation Agent may use commercially reasonable efforts to select a successor index with a substantially similar strategy as the original Custom Index and, upon selection of such index, the Calculation Agent shall promptly notify the Noteholders and such index shall become the Custom Index and shall be deemed to be the Custom Index for the purpose of the Notes and the Calculation Agent will make such adjustment, if any, to one or more of the terms of the Notes as the Calculation Agent in its sole and absolute discretion determines appropriate; or
- (3) the Calculation Agent may determine in its sole and absolute discretion such other appropriate adjustments, if any, to be made to the terms of the Notes to account for the Custom Index Adjustment Event and determine the effective date of those adjustments; or
- (4) unless Delayed Redemption on Occurrence of Custom Index Adjustment Event is specified as being applicable in the applicable Final Terms, the Calculation Agent may require the Issuer to redeem the Notes in which case it will so notify the Issuer and the Issuer will give notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each redeemed Note being redeemed at an amount equal to the fair market value of each Note, taking into account the Custom Index Adjustment Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or

- (5) if Delayed Redemption on Occurrence of Custom Index Adjustment Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Custom Index Adjustment Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Custom Index Adjustment Event Amount**) as soon as practicable following the occurrence of the Custom Index Adjustment Event (the **Calculated Custom Index Adjustment Event Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Custom Index Adjustment Event Amount plus interest accrued on the Calculated Custom Index Adjustment Event Amount on a daily basis from and including the Calculated Custom Index Adjustment Event Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate specified in the applicable Final Terms, or (y) if greater, its nominal amount; or
- (6) in the case of a Custom Index Modification which occurs on the last Valuation Date, last Averaging Date, the last Observation Date, the last Knock-in Determination Day, the last Knock-out Determination Day, the last Automatic Early Redemption Valuation Date or the last Strike Date only, the Calculation Agent may elect to calculate the level of the Custom Index, using in lieu of the published level for the Custom Index as of the Valuation Date, Averaging Date, Observation Date, Knock-in Determination Day, Knock-out Determination Day, Automatic Early Redemption Valuation Date or Strike Date, as the case may be, the level of the Custom Index as of that date determined by the Calculation Agent in accordance with the formula for and method of calculating the Custom Index last in effect prior to the Custom Index Modification but using only those components that comprised the Custom Index prior to the Custom Index Modification.
- (ii) in the case of Custom Index Linked Notes relating to a Basket of Custom Indices where Scheduled Custom Index Business Days (All Custom Indices Basis) is specified as applicable in the applicable Final Terms, then:
- (A) if the Custom Index Adjustment Event is a Custom Index Disruption which occurs or is occurring in respect of any Custom Index (each an **Affected Custom Index**) on the last Valuation Date, the last Averaging Date, the last Observation Date, the last Knock-in Determination Day, the last Knock-out Determination Day, the last Automatic Early Redemption Valuation Date or the last Strike Date, then such Valuation Date, Averaging Date, Observation Date, Knock-in Determination Day, Knock-out Determination Day, Automatic Early Redemption Valuation Date, or Strike Date as the case may be, for all Custom Indices in the Basket shall be the first succeeding Scheduled Custom Index Business Day on which a

Custom Index Disruption is not occurring in respect of any of the Custom Indices in the Basket, unless there is a Custom Index Disruption in respect of any one of the Custom Indices in the Basket on each of the number of consecutive Scheduled Custom Index Business Days equal to the Specified Maximum Days of Disruption immediately following the scheduled Valuation Date, Averaging Date, Observation Date, Knock-in Determination Day, Knock-out Determination Day, Automatic Early Redemption Valuation Date or Strike Date as the case may be, in which case the last such consecutive Scheduled Custom Index Business Day shall be deemed to be the Valuation Date, Averaging Date, Observation Date, Knock-in Determination Day, Knock-out Determination Day, Automatic Early Redemption Valuation Date or Strike Date as the case may be, for all Custom Indices in the Basket, notwithstanding the Custom Index Disruption in respect of an Affected Custom Index and the Calculation Agent shall determine the Settlement Price by using (X) in respect of any Custom Index which is not an Affected Custom Index, the method provided for in part (i) of the definition of Settlement Price contained in Custom Index Linked Condition 6 and (Y) in respect of any Custom Index in the Basket which is an Affected Custom Index, commercially reasonable efforts to determine the level of the relevant Custom Index as of the Valuation Time on the last such consecutive Scheduled Custom Index Business Day in accordance with the formulae for and method of calculating the relevant Custom Index last in effect prior to the occurrence of the Custom Index Disruption and using its good faith estimate of the value for the components of the Custom Index;

- (B) following a Custom Index Modification or Custom Index Cancellation at any time or a Custom Index Disruption (which in the latter case occurs or is occurring on the Strike Date, an Averaging Date (other than the last Averaging Date), an Observation Date (other than the last Observation Date), a Valuation Date (other than the last Valuation Date), an Automatic Early Redemption Valuation Date (other than the last Automatic Early Redemption Valuation Date), a Knock-in Determination Day (other than the last Knock-in Determination Day) or a Knock-out Determination Day (other than the last Knock-out Determination Day), the Calculation Agent shall determine if such Custom Index Adjustment Event has a material effect on the Notes and, if so:
 - (1) if the Custom Index Adjustment Event is a Custom Index Disruption which occurs or is occurring on the Strike Date, an Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, or Knock-out Determination Day or Valuation Date, the Calculation Agent may determine that the Strike Date, relevant Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date as the case may be, for all Custom Indices in the Basket shall be the first succeeding Scheduled Custom Index Business Day (in the case of the Strike Date, Automatic Early Redemption

Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date) or Valid Date (in the case of an Averaging Date, or Observation Date, as the case may be) on which a Custom Index Disruption is not occurring in respect of any Custom Index (each an **Affected Custom Index**) comprised in the Basket unless there is a Custom Index Disruption on each of the number of consecutive Scheduled Custom Index Business Days equal to the Specified Maximum Days of Disruption immediately following the scheduled Strike Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date as the case may be, in which case the Calculation Agent may determine that the last such consecutive Scheduled Custom Index Business Day shall be deemed to be the Strike Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date as the case may be (irrespective, in the case of an Averaging Date or Observation Date, of whether that last consecutive Scheduled Custom Index Business Day is already an Averaging Date or Observation Date, as the case may be) for all Custom Indices in the Basket and may determine the Settlement Price by using (X) in respect of any Custom Index in the Basket which is not an Affected Custom Index, the method provided for in part (i) of the definition of Settlement Price contained in Custom Index Linked Condition 6 (Definitions) below and (Y) in respect of any Custom Index in the Basket which is an Affected Custom Index, commercially reasonable efforts to determine a level of the relevant Custom Index as of the Valuation Time on the last such consecutive Scheduled Custom Index Business Day in accordance with the formulae for and method of calculating the relevant Custom Index last in effect prior to the occurrence of the Custom Index Disruption and using its good faith estimate of the value for the components of the Custom Index; or

- (2) the Calculation Agent may use commercially reasonable efforts to select a successor index with a substantially similar strategy as the original Custom Index and, upon selection of such index, the Calculation Agent shall promptly notify the Noteholders and such index shall become the Custom Index and shall be deemed to be a Custom Index for the purpose of the Notes and the Calculation Agent will make such adjustment, if any, to one or more of the terms of the Notes as the Calculation Agent in its sole and absolute discretion determines appropriate; or
- (3) the Calculation Agent may determine in its sole and absolute discretion such other appropriate adjustments, if any, to be made to the terms of the Notes to account for the Custom Index Adjustment Event and determine the effective date of those adjustments; or

- (4) unless Delayed Redemption on Occurrence of Custom Index Adjustment Event is specified as being applicable in the applicable Final Terms, the Calculation Agent may require the Issuer to redeem the Notes in which case it will so notify the Issuer and the Issuer will give notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each redeemed Note being redeemed at an amount equal to the fair market value of each Note, taking into account the Custom Index Adjustment Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
- (5) if Delayed Redemption on Occurrence of Custom Index Adjustment Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Custom Index Adjustment Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Custom Index Adjustment Event Amount**) as soon as practicable following the occurrence of the Custom Index Adjustment Event (the **Calculated Custom Index Adjustment Event Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Custom Index Adjustment Event Amount plus interest accrued on the Calculated Custom Index Adjustment Event Amount on a daily basis from and including the Calculated Custom Index Adjustment Event Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate specified in the applicable Final Terms or (y) if greater, its nominal amount; or
- (6) in the case of a Custom Index Modification which occurs in respect of a Custom Index in the Basket which occurs on the last Valuation Date, last Averaging Date, last Observation Date, last Strike Date, last Automatic Early Redemption Valuation Date, last Knock-in Determination Day or last Knock-out Determination Day only, the Calculation Agent may elect to calculate the level of such Custom Index, using in lieu of the published level for the Custom Index as of the Valuation Date, Averaging Date, Observation Date, Strike Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, the level of the Custom Index as of that date determined by the Calculation Agent in accordance with the formula for and method of calculating the Custom Index last in effect prior to the Custom Index Modification but using only those components that comprised the Custom Index prior to the Custom Index Modification.

(iii) in the case of Custom Index Linked Notes relating to a Basket of Custom Indices where Scheduled Custom Index Business Day (Per Custom Index Basis) is specified as applicable in the applicable Final Terms, then:

- (A) if the Custom Index Adjustment Event is a Custom Index Disruption which occurs or is occurring on the last Valuation Date, the last Averaging Date, the last Observation Date, the last Automatic Early Redemption Valuation Date, the last Knock-in Determination Day, the last Knock-out Determination Day or the last Strike Date, then the Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be, for each Custom Index not affected by the occurrence of the Custom Index Disruption shall be the scheduled last Valuation Date, the last Averaging Date, the last Observation Date, the last Automatic Early Redemption Valuation Date, the last Knock-in Determination Day, the last Knock-out Determination Day or the last Strike Date, as the case may be, and the Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be, for each Custom Index in the Basket affected by the Custom Index Disruption (each an **Affected Custom Index**) shall be the first succeeding Scheduled Custom Index Business Day on which a Custom Index Disruption is not occurring in respect of such Affected Custom Index, unless there is a Custom Index Disruption on each of the number of consecutive Scheduled Custom Index Business Days equal to the Specified Maximum Days of Disruption immediately following the scheduled Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Strike Date, as the case may be, in which case the last such consecutive Scheduled Custom Index Business Day shall be deemed to be the Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Strike Date, as the case may be, for the relevant Affected Custom Index and the Calculation Agent shall determine the Settlement Price by using commercially reasonable efforts to determine the level of the relevant Affected Custom Index as of the Valuation Time on the last such consecutive Scheduled Custom Index Business Day in accordance with the formulae for and method of calculating the relevant Affected Custom Index last in effect prior to the occurrence of the Custom Index Disruption and using its good faith estimate of the value for the components of the Affected Custom Index;
- (B) following a Custom Index Modification or Custom Index Cancellation at any time or a Custom Index Disruption (which in the latter case occurs or is occurring on the Strike Date, an Averaging Date (other than the last Averaging Date), an Observation Date (other than the last Observation Date), a Valuation Date (other than the last Valuation Date), an Automatic Early Redemption Valuation Date (other than the last Automatic Early Redemption Valuation Date), a Knock-in Determination Day (other than the last Knock-in

Determination Day), a Knock-out Determination Day (other than the last Knock-out Determination Day), the Calculation Agent shall determine if such Custom Index Adjustment Event has a material effect on the Notes and, if so:

- (1) if the Custom Index Adjustment Event is a Custom Index Disruption which occurs or is occurring on the Strike Date, an Averaging Date, an Observation Date, an Automatic Early Redemption Valuation Date, a Knock-in Determination Day, a Knock-out Determination Day or a Valuation Date, the Calculation Agent may determine that the Strike Date, relevant Averaging Date or Observation Date, as the case may be, for each Custom Index in the Basket not affected by the occurrence of the Custom Index Disruption shall be the scheduled Strike Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be, and the Strike Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date, as the case may be, for each Custom Index in the Basket affected by the Custom Index Disruption (each an **Affected Custom Index**) shall be the first succeeding Scheduled Custom Index Business Day (in the case of the Strike Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day or Valuation Date) or Valid Date (in the case of an Averaging Date or Observation Date, as the case may be) on which a Custom Index Disruption is not occurring in respect of such Affected Custom Index unless there is a Custom Index Disruption on each of the number of consecutive Scheduled Custom Index Business Days equal to the Specified Maximum Days of Disruption immediately following the scheduled Strike Date, Averaging Date, Observation Date, Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, in which case the Calculation Agent may determine that the last such consecutive Scheduled Custom Index Business Day shall be deemed to be the Strike Date, Averaging Date, Observation Date, Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-in Determination or Knock-out Determination Day, as the case may be (irrespective, in the case of an Averaging Date or Observation Date, of whether that last consecutive Scheduled Custom Index Business Day is already an Averaging Date or Observation Date, as the case may be) for the relevant Affected Custom Index and may determine the Settlement Price by using commercially reasonable efforts to determine a level of the relevant Affected Custom Index as of the Valuation Time on the last such consecutive Scheduled Custom Index Business Day in accordance with the formulae for and method of calculating the relevant Affected Custom Index last in effect prior to the

occurrence of the Custom Index Disruption and using its good faith estimate of the value for the components of the Custom Index; or

- (2) the Calculation Agent may use commercially reasonable efforts to select a successor index with a substantially similar strategy as the original Custom Index and, upon selection of such index, the Calculation Agent shall promptly notify the Holders and such index shall become the Custom Index and shall be deemed to be a Custom Index for the purpose of the Notes and the Calculation Agent will make such adjustment, if any, to one or more of the terms of the Notes as the Calculation Agent in its sole and absolute discretion determines appropriate; or
- (3) the Calculation Agent may determine in its sole and absolute discretion such other appropriate adjustments, if any, to be made to the terms of the Notes to account for the Custom Index Adjustment Event and determine the effective date of those adjustments; or
- (4) unless Delayed Redemption on Occurrence of Custom Index Adjustment Event is specified as being applicable in the applicable Final Terms, the Calculation Agent may require the Issuer to redeem the Notes in which case it will so notify the Issuer and the Issuer will give notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each redeemed Note being redeemed at an amount equal to the fair market value of a Note, taking into account the Custom Index Adjustment Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
- (5) if Delayed Redemption on Occurrence of Custom Index Adjustment Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Custom Index Adjustment Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Custom Index Adjustment Event Amount**) as soon as practicable following the occurrence of the Custom Index Adjustment Event (the **Calculated Custom Index Adjustment Event Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Custom Index Adjustment Event Amount plus interest accrued on the Calculated Custom Index Adjustment Event Amount on a daily basis from and including the Calculated Custom Index Adjustment Event Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate

being at a rate specified in the applicable Final Terms or (y) if greater, its nominal amount; or

- (6) in the case of a Custom Index Modification which occurs in respect of a Custom Index in the Basket on the last Valuation Date, last Averaging Date, last Observation Date, last Automatic Early Redemption Valuation Date, last Knock-in Determination Day, last Knock-out Determination Day or last Strike Date, only, the Calculation Agent may elect to calculate the level of such Custom Index, using in lieu of the published level for the Custom Index as of the Valuation Date, Averaging Date, Observation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or Strike Date, as the case may be, the level of the Custom Index as of that date determined by the Calculation Agent in accordance with the formula for and method of calculating the Custom Index last in effect prior to the Custom Index Modification but using only those components that comprised the Custom Index prior to the Custom Index Modification.

(c) Notice

The Calculation Agent shall, as soon as practicable, notify the relevant Agent of any determination made by it pursuant to paragraph (b) above and the action proposed to be taken in relation thereto and such Agent shall make available for inspection by Noteholders copies of any such determinations.

2. Correction of Custom Index

With the exception of any corrections published after the day which is three Scheduled Custom Index Business Days prior to the due date for any payment under the Notes calculated by reference to the level of a Custom Index, if the level of the Custom Index published on a given day and used or to be used by the Calculation Agent to make any determination under the Notes, is subsequently corrected and the correction published by the relevant Index Sponsor within the number of days equal to the Custom Index Correction Period of the original publication, the level to be used shall be the level of the Custom Index as so corrected. Corrections published (x) after the day which is three Scheduled Index Business Days prior to a due date for payment under the Notes calculated by reference to the level of the Custom Index or (y) after the relevant Custom Index Correction Period will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

3. Consequences of an Additional Disruption Events

- (a) If an Additional Disruption Event occurs, the Calculation Agent in its sole and absolute discretion may take the action described in (i), (ii), (iii) or (if applicable) (iv):
 - (i) determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or

- (ii) the Calculation Agent may use commercially reasonable efforts to select a successor index with a substantially similar strategy as the original Custom Index within twenty (20) Scheduled Custom Index Business Days (or such other number of Scheduled Custom Index Business Days specified in the applicable Final Terms) of the relevant Additional Disruption Event and, upon selection of such index, the Calculation Agent shall promptly notify the Issuer and the Issuer will give notice to the Noteholders in accordance with General Condition 13 and such index shall become the Successor Index and be deemed to be a Custom Index for the purposes of the Notes and the Calculation Agent will make such adjustment, if any, to one or more of the terms of the Notes as the Calculation Agent in its sole and absolute discretion determines appropriate. Such substitution and the relevant adjustment to the terms of the Notes will be deemed to be effective as of the date selected by the Calculation Agent (the **Substitution Date**) in its absolute discretion and specified in the notice referred to below which may, but need not be the date on which the Additional Disruption Event occurred; or
 - (iii) unless Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the applicable Final Terms, require the Issuer to redeem the Notes in which case it shall so notify the Issuer and the Issuer will give notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of each Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
 - (iv) if Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Additional Disruption Amount**) as soon as practicable following the occurrence of the Additional Disruption Event (the **Calculated Additional Disruption Amount Determination Date**) and on the Maturity Date shall notify the Issuer and the Issuer shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Additional Disruption Amount plus interest accrued from and including the Calculated Additional Disruption Amount Determination Date to but excluding the Maturity Date at the rate specified in the applicable Final Terms or (y) if greater, at its nominal amount.
- (b) Upon the occurrence of an Additional Disruption Event, if the Calculation Agent determines to take any action in respect thereof it shall give notice as soon as practicable to the Noteholders in accordance with General Condition 13 stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event.

4. **Knock-in Event and Knock-out Event**

- (a) If Knock-in Event is specified as applicable in the Final Terms, then, unless otherwise specified in such Final Terms, payment under the relevant Notes subject to a Knock-in Event shall be subject to a condition precedent that a Knock-in Event has occurred.
- (b) If Knock-out Event is specified as applicable in the Final Terms, then, unless otherwise specified in such Final Terms, payment under the relevant Notes subject to a Knock-out Event shall be subject to a condition precedent that a Knock-out Event has not occurred.
- (c) If on any Knock-in Determination Day or Knock-out Determination Day a Custom Index Disruption Event exists or is occurring in the one hour period prior to or following the relevant Knock-in Valuation Time or a Knock-out Valuation Time, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred; provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the level of the Custom Index as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.
- (d) Definitions relating to Knock-in Event/Knock-out Event:

Unless otherwise specified in the applicable Final Terms,

Knock-in Determination Day means the date(s) specified as such in the applicable Final Terms, or, if not so specified, each Scheduled Custom Index Business Day during the Knock-in Determination Period;

Knock-in Determination Period means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date;

Knock-in Event means:

(in respect of a single Custom Index) that the level of the Custom Index determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is; or (in respect of a Basket of Custom Indices) that the amount determined by the Calculation Agent equal to the sum of the values of each Custom Index as the product in respect of each Custom Index of (x) the level of such Custom Index as of the Knock-in Valuation Time on any Knock-in Determination Day and (y) the relevant Weighting is,

- (A) greater than,
- (B) greater than or equal to,
- (C) less than, or
- (D) less than or equal to

the Knock-in Level

(A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Knock-in Level means (i) in the case of a single Custom Index, the level of the Custom Index or (ii) in case of a Basket of Custom Indices, the level of each Custom Index in the Basket, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Custom Index Linked Condition 1 (Adjustments to a Custom Index and Custom Index Disruption);

Knock-in Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Beginning Date Scheduled Custom Index Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Custom Index Business Day, the next following Scheduled Custom Index Business Day;

Knock-in Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-in Period Ending Date Scheduled Custom Index Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Custom Index Business Day, the next following Scheduled Custom Index Business Day;

Knock-in Valuation Time means the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time;

Knock-out Determination Day means the date(s) as specified in the applicable Final Terms, or otherwise each Scheduled Custom Index Business Day during the Knock-out Determination Period;

Knock-out Determination Period means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date;

Knock-out Event means:

(a) (in respect of a single Custom Index) that the level of the Custom Index determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is; or

(b) (in the case of a Basket of Custom Indices) that the amount determined by the Calculation Agent equal to the sum of the values of each Custom Index as the product in respect of each Custom Index of (x) the level of each such Custom Index as of the Knock-out Valuation Time on any Knock-out Determination Day and (y) the relevant Weighting is,

- (A) greater than,
- (B) greater than or equal to,
- (C) less than, or
- (D) less than or equal to

the Knock-out Level,

(A), (B), (C) or (D) applying as specified in the applicable Final Terms;

Knock-out Level means, in respect of a single Custom Index, (i) the level of the Custom Index or (ii) in the case of a Basket of Custom Indices, the level of each Custom Index in the Basket, in each case specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Custom Index Linked Condition 1 (Adjustments to a Custom Index and Custom Index Disruption);

Knock-out Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Beginning Date Scheduled Custom Index Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Custom Index Business Day, the next following Scheduled Custom Index Business Day;

Knock-out Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-out Period Ending Date Scheduled Custom Index Business Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Custom Index Business Day, the next following Scheduled Custom Index Business Day; and

Knock-out Valuation Time means the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

5. **Automatic Early Redemption**

(a) If Automatic Early Redemption Event is specified as applicable in the Final Terms, then unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Issuer shall redeem each Note at an amount in the relevant currency specified in the applicable Final Terms equal to the relevant Automatic Early Redemption Amount.

(b) Definitions relating to Automatic Early Redemption:

Unless otherwise specified in the applicable Final Terms:

Automatic Early Redemption Amount means (a) an amount in the Specified Currency specified in the applicable Final Terms or if such amount is not specified, (b) the product of (i) the denomination of each Note and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, as determined by the Calculation Agent in its sole and absolute discretion;

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms, subject in each case to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms;

Automatic Early Redemption Event means that

- (a) in respect of Notes relating to a single Custom Index, the level of the Custom Index determined by the Calculation Agent as of the Valuation Time on any Automatic Early Redemption Valuation Date is; and
- (b) in the case of Notes relating to a Basket of Custom Indices, the amount determined by the Calculation Agent equal to the sum of the values of each Custom Index as the product of (x) the level of such Custom Index as determined by the Calculation Agent as of the Valuation Time on any Automatic Early Redemption Valuation Date and (y) the relevant Weighting is,
 - (A) greater than,
 - (B) greater than or equal to,
 - (C) less than, or
 - (D) less than or equal to

the Automatic Early Redemption Price,

(A), (B), (C) or (D) applying as specified in the Final Terms;

Automatic Early Redemption Level means the level of the Custom Index specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Custom Index Linked Condition 1 (**Adjustments to a Custom Index and Custom Index Disruption**) above;

Automatic Early Redemption Rate means, in respect of any Automatic Early Redemption Date, the rate specified as such in the applicable Final Terms; and

Automatic Early Redemption Valuation Date means each date as specified as such in the applicable Final Terms or, if such date is not a Scheduled Custom Index Business Day, the next following Scheduled Custom Index Business Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day, in which case, the Automatic Early Redemption Valuation Date shall be delayed in accordance with the corresponding provisions in the definition of Valuation Date which shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

6. Definitions

- (a) Unless otherwise specified in the applicable Final Terms:

Additional Disruption Event means any of Analogous Event, Change in Law, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and/or Loss of Stock Borrow, in each case if specified in the applicable Final Terms;

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

Analogous Event means any event analogous to any of the Additional Disruption Events: Change of Law, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and Loss of Stock Borrow if such Additional Disruption Event is specified as applicable in the applicable Final Terms as determined by the Calculation Agent;

Averaging Date means the dates specified as such in the applicable Final Terms or, if any such day is not a Scheduled Custom Index Business Day, the immediately succeeding Scheduled Custom Index Business Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day, in which case the provisions of Custom Index Linked Condition 1(b) (Modification and Cessation of Calculation of a Custom Index and Custom Index Disruption) shall apply;

Banking Day means any week day except for December 25 and January 1 in any year;

Basket and **Basket of Custom Indices** means a basket comprised of two or more Custom Indices;

Change in Law means that, on or after the Trade Date (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that it has become illegal to hold, acquire or dispose of any relevant hedge positions relating to a Custom Index;

Custom Index or **Custom Indices** mean, subject to adjustment in accordance with these Custom Index Linked Conditions, the custom index or custom indices specified in the applicable Final Terms and related expressions shall be construed accordingly;

Custom Index Business Day means either (i) in the case of a single Custom Index, Custom Index Business Day (Single Custom Index Basis) or (ii) in the case of a Basket of Custom Indices, Custom Index Business Day (All Custom Indices Basis) or Custom Index Business Day (Per Custom Index Basis), in each case as specified in the applicable Final Terms, provided that if no such specification is made in the applicable Final Terms, Custom Index Business Day (All Custom Indices Basis) shall apply;

Custom Index Business Day (All Custom Indices Basis) means any Scheduled Custom Index Business Day in respect of which (i) the level of the Custom Index is calculated and made available and (ii) it is a Custom Index Trading Day in respect of all Custom Indices in the Basket;

Custom Index Business Day (Per Custom Index Basis) means, in respect of a Custom Index, any Scheduled Custom Index Business Day in respect of which (i) the level of the Custom Index is calculated and made available and (ii) it is a Custom Index Trading Day;

Custom Index Business Day (Single Custom Index Basis) means any Scheduled Custom Index Business Day on which (i) the level of the Custom Index is calculated and made available and (ii) it is a Custom Index Trading Day;

Custom Index Correction Period means the period specified in the applicable Final Terms or if none is so specified, ten (10) Scheduled Custom Index Business Days following the date on which the original level was calculated and made available by the Index Sponsor and being

the date after which all corrections to the level of the Custom Index shall be disregarded for the purposes of any calculations to be made using the level of the Custom Index;

Custom Index Trading Day means, in respect of a Custom Index, a Scheduled Custom Index Business Day with respect to which the Issuer and/or any of its Affiliates determines in its sole and absolute discretion it is able to hedge its obligations in respect of such Custom Index under the Notes;

Disrupted Day means any Scheduled Custom Index Business Day on which a Custom Index Disruption has occurred or is continuing in the sole and absolute discretion of the Calculation Agent;

Force Majeure Event means that on or after the Trade Date, the performance of the Issue's obligations under the Notes is prevented or materially hindered or delayed due to (a) any act, law, rule, regulation, judgement, order, directive, interpretation, decree or material legislative or administrative interference of any Government Authority or otherwise, or (b) the occurrence of civil war, disruption, military action, unrest, political insurrection, terrorist activity of any kind, riot, public demonstration and/or protest, or any other financial or economic reasons or any other causes or impediments beyond the Issuer's or the Issuer's control, or (c) any expropriation, confiscation, requisition, nationalisation or other action taken or threatened by any Government Authority that deprives the Issuer or the Issuer and/or any of its Affiliates of all or substantially all of its assets in the relevant jurisdiction;

Government Authority means any nation, state or government, any province or other political subdivision thereof, any body, agency or ministry, any taxing, monetary, foreign exchange or other authority, court, tribunal or other instrumentality and any other entity exercising, executive, legislative, judicial, regulatory or administrative functions of or pertaining to government;

Hedging Disruption means that the Issuer or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s) or any relevant hedge positions relating to a Custom Index as determined by the Calculation Agent;

Hedging Shares means the number of securities/commodities/components comprised in a Custom Index that the Calculation Agent deems necessary for the Issuer to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes;

Increased Cost of Hedging means that the Issuer or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) relating to any hedge positions in the relevant Custom Index in each case as determined by the Calculation Agent, provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer or any of its Affiliates shall not be deemed an Increased Cost of Hedging;

Increased Cost of Stock Borrow means that the Issuer and/or any of its Affiliates would incur a rate to borrow any security/commodity/component comprised in a Custom Index that is greater than the Initial Stock Loan Rate as determined by the Calculation Agent;

Index Sponsor means, in relation to a Custom Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Custom Index and (b) ensures the calculation and publication of the level of such Custom Index on a regular basis (directly or through an agent) in accordance with the rules of the Custom Index, which as of the Issue Date of the Notes is the index sponsor specified for such Custom Index in the applicable Final Terms;

Initial Stock Loan Rate means, in respect of a security/commodity comprised in a Custom Index, the initial stock loan rate specified in relation to such security/commodity in the applicable Final Terms;

Loss of Stock Borrow means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any securities/commodities/component comprised in a Custom Index in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate as determined by the Calculation Agent;

Maximum Stock Loan Rate means, in respect of a security/commodity comprised in a Custom Index, the Maximum Stock Loan Rate specified in the applicable Final Terms;

Observation Date means the dates specified as such in the applicable Final Terms or, if any such day is not a Scheduled Custom Index Business Day, the immediately succeeding Scheduled Custom Index Business Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day, in which case the provisions of Custom Index Linked Condition 1(b) (Modification and Cessation of Calculation of a Custom Index and Custom Index Disruption) above shall apply;

Observation Period means the period specified as the Observation Period in the applicable Final Terms;

Scheduled Custom Index Business Day means either (i) in the case of a single Custom Index, Scheduled Custom Index Business Day (Single Custom Index Basis) or (ii) in the case of a Basket of Custom Indices, Scheduled Custom Index Business Day (All Custom Indices Basis) or Scheduled Custom Index Business Day (Per Custom Index Basis), in each case as specified in the applicable Final Terms, provided that if no such specification is made in the applicable Final Terms, Scheduled Custom Index Business Day (All Custom Indices Basis) shall apply;

Scheduled Custom Index Business Day (All Custom Indices Basis) means any Banking Day in respect of which (i) the level of each Custom Index is scheduled to be calculated and made available and (ii) the Issuer and/or any of its Affiliates determines, in its sole and absolute discretion, that it is scheduled to be a Custom Index Trading Day in respect of all Custom Indices in the Basket;

Scheduled Custom Index Business Day (Per Custom Index Basis) means in respect of a Custom Index, any Banking Day on which (i) the level of the relevant Custom Index is scheduled to be calculated and made available and (ii) the Issuer and/or any of its Affiliates determines, in its sole and absolute discretion, that it is scheduled to be a Custom Index Trading Day;

Scheduled Custom Index Business Day (Single Custom Index Basis) means any Banking Day on which (i) the level of the Custom Index is scheduled to be calculated and made available and (ii) the Issuer and/or any of its Affiliates determines, in its sole and absolute discretion, that it is scheduled to be a Custom Index Trading Day;

Settlement Price means, unless otherwise stated in the applicable Final Terms, subject to the provisions of this Annex and as referred to in Valuation Date or Averaging Date, Observation Date or Strike Date or Automatic Early Redemption Valuation Date or Knock-in Determination Day or Knock-out Determination Day contained herein, as the case may be:

- (a) in the case of Custom Index Linked Notes relating to a Basket of Custom Indices and in respect of each Custom Index comprising the Basket of Custom Indices, an amount (which shall be deemed to be a monetary value in the Index Currency) equal to the level for each such Custom Index as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of each such Custom Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on (a) if Averaging is not specified in the applicable Final Terms, any of the Strike Date, Knock-In Determination Day, Knock-Out Determination Day, Observation Date or the Valuation Date or (b) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, multiplied by the relevant Weighting; and
- (b) in the case of Custom Index Linked Notes relating to a single Custom Index, an amount equal to the level of the Custom Index as published by the Index Sponsor as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of the Custom Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on (a) if Averaging is not specified in the applicable Final Terms, any of the Strike Date, Knock-In Determination Day, Knock-Out Determination Day, Observation Date, the Valuation Date or Automatic Early Redemption Valuation Date (b) if Averaging is specified in the applicable Final Terms, an Averaging Date;

Specified Maximum Days of Disruption means the number of days specified in the applicable Final Terms, or if not so specified, 20 Scheduled Custom Index Business Days;

Strike Date means the date(s) specified as such in the applicable Final Terms or, if any such day is not a Scheduled Custom Index Business Day, the immediately succeeding Scheduled Custom Index Business Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day, in which case the provisions of Custom Index Linked Condition 1(b) (Modification and Cessation of Calculation of a Custom Index and Custom Index Disruption) above shall apply;

Strike Price means unless otherwise specified in the applicable Final Terms, and subject as referred to in Strike Date above:

- (a) in the case of Custom Index Linked Notes relating to a single Custom Index, an amount equal to the level of the Custom Index as published by the Index Sponsor as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of the Custom Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on the Strike Date; and
- (b) in the case of Custom Index Linked Notes relating to a Basket of Custom Indices and in respect of each Custom Index comprising the Basket, an amount equal to the level of each such Custom Index published by the relevant Index Sponsor, in each case as

determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of such Custom Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on the Strike Date multiplied by the relevant Weighting.

Valid Date means a Scheduled Custom Index Business Day that is not a Disrupted Day and on which another Averaging Date or another Observation Date does not occur;

Valuation Date means the Coupon Valuation Date and/or Redemption Valuation Date, as the case may be, specified in the applicable Final Terms or, if such day is not a Scheduled Custom Index Business Day, the immediately succeeding Scheduled Custom Index Business Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day, in which case the provisions of Custom Index Linked Condition 1(b) (Modification and Cessation of Calculation of a Custom Index and Custom Index Disruption) shall apply;

Valuation Time means, unless otherwise specified in the applicable Final Terms, the time by reference to which the Index Sponsor determines the level of the Custom Index in its sole and absolute discretion.

ANNEX 8

ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

*If specified as applicable in the applicable Final Terms, the terms and conditions applicable to Foreign Exchange (FX) Rate Linked Notes shall comprise the Terms and Conditions of the Notes set out on page 128 (the **General Conditions**) and the Additional Terms and Conditions for Foreign Exchange (FX) Rate Linked Notes set out below (the **Foreign Exchange (FX) Rate Linked Note Conditions**), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Foreign Exchange (FX) Rate Linked Note Conditions, the Foreign Exchange (FX) Rate Linked Note Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Foreign Exchange (FX) Rate Linked Note Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

1. **Disruption Events**

Unless otherwise stated in the applicable Final Terms the occurrence of any of the following events, in respect of any Base Currency, Subject Currency and/or Subject Currencies, shall be a **Disruption Event**:

- (i) Price Source Disruption;
- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance;
- (vii) Nationalisation;
- (viii) any other event that, in the opinion of the Calculation Agent, is analogous to any of (i) – (vii) above (inclusive); or
- (ix) any other event specified as such in the applicable Final Terms.

The Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with General Condition 13 of the occurrence of a Disrupted Day on any day that but for the occurrence of the Disrupted Day would have been an Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be.

2. **Consequences of a Disruption Event**

Upon a Disruption Event occurring or continuing on any Averaging Date or any Settlement Price Date (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant Price Source) as determined by the Calculation Agent, the Calculation Agent shall apply the applicable Disruption Fallback in determining the consequences of the Disruption Event.

Disruption Fallback means a source or method that may give rise to an alternative basis for determining the Settlement Price when a Disruption Event occurs or exists on a day that is an Averaging Date or a Settlement Price Date (or, if different, the day on which prices for that date would, in the ordinary course, be published or announced by the Price Source). The Calculation Agent shall take the relevant actions specified in either (i), (ii) or (iii) below.

- (i) if an Averaging Date or a Settlement Price Date is a Disrupted Day, the Calculation Agent will determine that the relevant Averaging Date or Settlement Price Date, as the case may be, shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day (in the case of the Strike Date or Valuation Date) or Valid Date (in the case of an Averaging Date or Observation Date) unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the originally scheduled Averaging Date or Settlement Price Date, as the case may be, is a Disrupted Day in which case the Calculation Agent may determine that the last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date or Settlement Price Date, as the case may be (irrespective, in the case of an Averaging Date or Observation Date, of whether that last consecutive Scheduled Trading Day is already an Averaging Date or Observation Date, as the case may be) and may determine the Settlement Price by using commercially reasonable efforts to determine a Settlement Price as of the Valuation Time on the last such consecutive Scheduled Trading Day taking into consideration all available information that in good faith it deems relevant; or
- (ii) if an Averaging Date or any Settlement Price Date is a Disrupted Day but is not the Redemption Valuation Date, if Delayed Redemption on the Occurrence of a Disruption Event is specified as being not applicable in the applicable Final Terms, on giving notice to Noteholders in accordance with General Condition 13, the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of such Note, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payment shall be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13; or
- (iii) if an Averaging Date or any Settlement Price Date is a Disrupted Day but is not the Redemption Valuation Date, if Delayed Redemption on the Occurrence of a Disruption Event is specified as being applicable in the applicable Final Terms, the Calculation Agent shall calculate the fair market value of each Note less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Foreign Exchange (FX) Disruption Amount**) as soon as practicable following the occurrence of the Disruption Event (the **Calculated Foreign Exchange (FX) Disruption Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Foreign Exchange (FX) Disruption Amount plus interest accrued on the Calculated Foreign Exchange (FX) Disruption Amount on a daily basis from and including the Calculated Foreign Exchange (FX) Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount.

3. **Settlement Price**

Settlement Price means, unless otherwise stated in the applicable Final Terms and subject as referred to in Foreign Exchange (FX) Rate Linked Notes Condition 2 above:

- (i) in the case of Foreign Exchange (FX) Rate Linked Notes relating to a basket of Subject Currencies and in respect of a Subject Currency, the spot rate of exchange appearing on the Relevant Screen Page at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the applicable Final Terms, the relevant Settlement Price Date or (b) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of such Subject Currency for which one unit of the Base Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on the relevant Settlement Price Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent), multiplied by the relevant Weighting; and
- (ii) in the case of Foreign Exchange (FX) Rate Linked Notes relating to a single Subject Currency, an amount equal to the spot rate of exchange appearing on the Relevant Screen Page at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the applicable Final Terms, the relevant Settlement Price Date or (b) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of the Subject Currency for which one unit of the Base Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on the relevant Settlement Price Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent).

4. **Knock-in Event and Knock-out Event**

- (i) If Knock-in Event is specified as applicable in the Final Terms, then, unless otherwise specified in such Final Terms, any payment under the relevant Notes which is expressed in the applicable Final Terms to be subject to a Knock-in Event shall be subject to the condition precedent that a Knock-in Event has occurred.
- (ii) If Knock-out Event is specified as applicable in the Final Terms, then, unless otherwise specified in such Final Terms, any payment under the relevant Notes which is expressed in the applicable Final Terms to be subject to a Knock-out Event, shall be subject to the condition precedent that a Knock-out Event has not occurred.
- (iii) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is the Valuation Time and if a Disruption Event would

otherwise have occurred on any Knock-in Determination Day or Knock-out Determination Day, then, unless otherwise specified in the applicable Final Terms, such Knock-in Determination Day or Knock-out Determination Day will be deemed not to be a Knock-in Determination Day or Knock-out Determination Day for the purposes of determining the occurrence of a Knock-in Event or a Knock-out Event.

- (iv) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is any time or period of time other than the Valuation Time during the regular trading hours for the Base Currency, Subject Currency and/or Subject Currencies and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one-hour period that begins or ends at the time at which a Knock-in Event or Knock-out Event would otherwise have occurred, a Disruption Event occurs or exists, then, unless otherwise specified in the applicable Final Terms, the Knock-in Event or the Knock-out Event shall be deemed not to have occurred.
- (v) Definitions relating to Knock-in Event/Knock-out Event.

Unless otherwise specified in the applicable Final Terms

Knock-in Determination Day means the date(s) specified as such in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-In Determination Period.

Knock-in Determination Period means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

Knock-in Event means:

- (i) in the case of a single Subject Currency, that the Settlement Price of the Subject Currency determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is and
- (ii) in the case of a basket of Subject Currencies, that the amount determined by the Calculation Agent equal to the sum of, in respect of each Subject Currency, the Settlement Price of such Subject Currency as of the Knock-in Valuation Time on any Knock-in Determination Day is,
 - (A) greater than,
 - (B) greater than or equal to,
 - (C) less than or
 - (D) less than or equal tothe Knock-in Level or
 - (E) within the Knock-in Range Level,(A), (B), (C), (D) or (E) applying as specified in the applicable Final Terms.

Knock-in Level means (i) in the case of a single Subject Currency, the value of the Subject Currency or (ii) in case of a basket of Subject Currencies, the value, in each case specified as

such or otherwise determined as provided in the applicable Final Terms, subject to adjustment in accordance with the provisions set forth in Foreign Exchange (FX) Rate Linked Condition 1 and Foreign Exchange (FX) Rate Linked Condition 2.

Knock-in Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-In Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-in Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-In Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-in Range Level means the range of levels specified as such or otherwise determined as provided in the applicable Final Terms.

Knock-in Valuation Time means the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

Knock-out Determination Day means the date(s) specified as such in the applicable Final Terms, or otherwise each Scheduled Trading Day during the Knock-Out Determination Period.

Knock-out Determination Period means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

Knock-out Event means

- (i) in the case of a single Subject Currency, that the Settlement Price of the Subject Currency determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is, or
- (ii) in the case of a basket of Subject Currencies, that the amount determined by the Calculation Agent equal to the sum in respect of each Subject Currency the Settlement Price of such Subject Currency as of the Knock-out Valuation Time on any Knock-out Determination Day is,
 - (A) greater than,
 - (B) greater than or equal to,
 - (C) less than or
 - (D) less than or equal tothe Knock-out Level,
 - (A), (B), (C) or (D) applying as specified in the applicable Final Terms.

Knock-out Level means (i) in the case of a single Subject Currency, the value of the Subject Currency or (ii) in the case of a basket of Subject Currencies, the value, in each case specified as such or otherwise determined as provided in the applicable Final Terms, subject to adjustment in accordance with Foreign Exchange (FX) Linked Rate Condition 1 and Foreign Exchange (FX) Rate Linked Condition 2.

Knock-out Period Beginning Date means the date specified as such in the applicable Final Terms or, if the Knock-Out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Period Ending Date means the date specified as such in the applicable Final Terms or, if the Knock-Out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the applicable Final Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Valuation Time means the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

5. **Consequences of an Additional Disruption Event**

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may redeem the Notes by giving notice to Noteholders in accordance with General Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note taking into account the Additional Disruption Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13.

Additional Disruption Event means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the applicable Final Terms.

Change in Law means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes.

Hedging Disruption means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

Increased Cost of Hedging means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish,

re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

6. Definitions

Averaging Date means the dates specified as such in the applicable Final Terms or, if any such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2 (Consequences of a Disruption Event) shall apply.

Base Currency means the currency specified as such in the applicable Final Terms

Dual Exchange Rate means that any of the Base Currency, Subject Currency and/or Subject Currencies, splits into dual or multiple currency exchange rates.

Disrupted Day means any Scheduled Trading Day on which the Calculation Agent determines that a Disruption Event has occurred.

General Inconvertibility means the occurrence of any event that generally makes it impossible to convert a Subject Currency into the Base Currency in a Subject Currency Jurisdiction through customary legal channels.

General Non-Transferability means the occurrence of any event that generally makes it impossible to deliver (A) the Base Currency from accounts inside a Subject Currency Jurisdiction to accounts outside a Subject Currency Jurisdiction or (B) the Subject Currency between accounts inside a Subject Currency Jurisdiction or to a party that is a non-resident of a Subject Currency Jurisdiction.

Governmental Authority means (i) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or (ii) any other entity (private or public) charged with the regulation of the financial markets (including the central bank), in each case in any relevant jurisdiction.

Illiquidity Disruption means the occurrence of any event in respect of any of the Base Currency, Subject Currency and/or Subject Currencies whereby it becomes impossible for the Calculation Agent to obtain a firm quote for such currency in an amount deemed necessary by the Calculation Agent to hedge its obligations under the Notes (in one or more transaction(s)) on the relevant Averaging Date or any Settlement Price Date (or, if different, the day on which rates for such Averaging Date or Settlement Price Date would, in the ordinary course, be published or announced by the relevant Price Source).

Material Change in Circumstance means the occurrence of any event (other than those events specified as Disruption Events) in the Subject Currency Jurisdiction beyond the control of the parties to a hedging arrangement in respect of the Notes which makes it impossible (A) for a party to fulfil its obligations under the hedging arrangement or (B) generally to fulfil obligations similar to such party's obligations under that hedging arrangement.

Nationalisation means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives a party to a hedging arrangement in respect of the Notes of all or substantially all of its assets in the Subject Currency Jurisdiction.

Observation Date means the dates specified as such in the applicable Final Terms or, if any such day is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is the Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2 (Consequences of a Disruption Event) shall apply.

Price Source means the published source, information vendor or provider containing or reporting the rate or rates from which the Settlement Price is calculated as specified in the applicable Final Terms.

Price Source Disruption means that it becomes impossible to obtain the rate or rates from which the Settlement Price is calculated.

Relevant Screen Page means the relevant page specified as such in the applicable Final Terms or any successor to such page or service acceptable to the Calculation Agent.

Scheduled Maximum Days of Disruption means three Scheduled Trading Days or such other number as may be specified in the applicable Final Terms.

Scheduled Trading Day means a day on which commercial banks are open (or, but for the occurrence of a Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the principal financial centre of each of the Base Currency and the Subject Currency or Subject Currencies. In the case of euro, for these purposes, the principal financial centre shall be deemed to mean each of Frankfurt and Brussels.

Settlement Price Date means the Strike Date, Observation Date or Valuation Date, as the case may be.

Specified Maximum Days of Disruption means the number of days specified in the applicable Final Terms, or if not so specified, five Scheduled Trading Days.

Strike Date means the Strike Date specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2 (Consequences of a Disruption Event) shall apply.

Subject Currency means the currency(ies) specified as such in the applicable Final Terms (together, **Subject Currencies**).

Subject Currency Jurisdiction means each country for which the relevant Subject Currency is the lawful currency.

Valid Date means, in respect of an Averaging Date or an Observation Date, a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date or Observation Date, respectively, does not occur.

Valuation Date means any Coupon Valuation Date and/or Redemption Valuation Date, as the case may be, specified in the applicable Final Terms or, if such day is not a Scheduled

Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2 (Consequences of a Disruption Event) shall apply.

Valuation Time means, unless otherwise specified in the applicable Final Terms, the time at which the Price Source publishes the relevant rate or rates from which the Settlement Price is calculated.

Valid Date means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

Weighting, in relation to a Subject Currency, means the percentage specified as such in the applicable Final Terms.

USE OF PROCEEDS

The net proceeds from each issue of Notes will, in accordance with Law 13/1985 of May 25, 1985 on investment ratios, capital adequacy and information requirements for financial intermediaries, be deposited on a permanent basis with the Guarantor and will be used for the Group's general corporate purposes, which include making a profit. A substantial portion of the proceeds from the issue of the Notes may be used to hedge market risk with respect to such Notes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL

The information appearing below has been prepared in accordance with Annex IV (Minimum Disclosure Requirements for the Debt and Derivative Securities Registration Document (schedule)- (Debt and derivative securities with a denomination per unit of less than EUR 50,000)) of Commission Regulation (EC) No 809/2004.

Person Responsible

Mr. Juan Isusi Garteiz-Gogeaescoa, of legal age, Spanish, resident in Madrid, with Spanish identity card number 44.679.846-T, acting in the name and on behalf of BBVA Senior Finance, S.A. Unipersonal (the **Issuer**), in his capacity as Director of the Issuer and by virtue of the powers of attorney granted on June 21, 2010, assumes responsibility for the information featured under this Base Prospectus.

Mr. Juan Isusi Garteiz-Gogeaescoa, in her capacity as Director of the issuer, asserts that, having acted with reasonable diligence, to the best of her knowledge the information contained in this Base Prospectus is true to fact and does not incur any omission such as might affect its content.

Incorporation

BBVA Senior Finance, S.A. Unipersonal (**BSF**) was incorporated on October 29, 2004 for an unlimited duration with limited liability under Spanish law. BSF's registered office is at Gran Vía, 1, Bilbao, Spain, operating out of Paseo de la Castellana, 81, 28046, Madrid, Spain, telephone number 34 91 537 8195. BSF was registered at the Vizcaya Mercantile Registry (*Registro Mercantil de Vizcaya*) on November 3, 2004, Volume 4483, Book 0, Page BI-40.901, Inscription 1^a.

Business

The exclusive objects for which BSF was established are, pursuant to Article 2 of its Bylaws, "the issue of preference securities and/or other financial instruments including any type of debt instrument, for placement in domestic or international markets".

Share Capital

BSF has an authorised share capital of EUR 60,102 divided into 10,017 ordinary shares of a nominal or par value of EUR 6.00 each. As of the date hereof, 10,017 ordinary shares with a par value of EUR 6.00 each had been issued and fully paid. BSF is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

BSF is a finance company whose sole business is raising debt to be on-lent to Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group on an arm's length basis. BSF is accordingly dependent on Banco Bilbao Vizcaya Argentaria, S.A. and other members of the Group servicing these loans.

Management

The Directors of BSF are as follows:

Name	Present Principal Occupation at BSF	Position Outside BSF
Pedro M ^a Urresti Laca	Director/President	Deputy Chief Financial Officer of BBVA
Juan Isusi Garteiz-Gogea	Director	Institutional Funding Manager of BBVA
Ana Fernández Manrique	Director	Manager of Corporate Development Manager of BBVA
Juan Carlos García Pérez	Director	Manager of BBVA
Tomás Sánchez Zabala	Director	Manager of BBVA
Raul Moreno Carnero	Director	Manager of BBVA

The business address of the Directors of BSF is Castellana, 81, 28046 Madrid. There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to BSF.

Corporate Governance

BSF is in compliance with the Spanish corporate governance regime.

BSF communicated to CNMV on April 28, 2010, the subscription to BBVA S.A. Corporate Governance regulation.

Audit Committee

According with article 26 of the Bylaws of BSF currently in force and Law 44/2002, the functions of the Audit Committee of BSF are performed by the Audit Committee of BBVA due to the fact that BSF is a 100% subsidiary of BBVA and forms part of its consolidated group. For further information on the Audit Committee of BBVA, please see section “Description of BBVA”, subsection “Directors and Senior Management” below.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The information appearing below, under the heading “Status of the Notes and the Guarantee” and “Substitutions of the Guarantor” of the Terms and Conditions of The Notes and under the heading “Form of the Guarantee” of the Agency Agreement has been prepared in accordance with Annex VI - Minimum disclosure requirements for guarantees (Additional building block) of Commission Regulation (EC) No. 809/2004.

PERSON RESPONSIBLE

Mr. Pedro M^a Urresti Laca, of legal age, Spanish, resident in Madrid, with Spanish identity card number 78.866.442-V, acting in the name and on behalf of Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA** or the **Guarantor**), in his capacity as Deputy Chief Financial Officer of BBVA and by virtue of the powers of attorney granted on May 25, 2010, assumes responsibility for the information featured under the heading “*Description of Banco Bilbao Vizcaya Argentaria, S.A.*” in this Base Prospectus.

Mr. Pedro M^a Urresti Laca, in his capacity as Deputy Chief Financial Officer of BBVA, asserts that, having acted with reasonable diligence, to the best of his knowledge the information contained under the heading “*Description of Banco Bilbao Vizcaya Argentaria, S.A.*” and the references made to the Guarantee and the Guarantor in this Base Prospectus is true to fact and does not incur any omission such as might affect its content.

HISTORY AND DEVELOPMENT OF THE COMPANY

The terms BBVA and Group refer to Banco Bilbao Vizcaya Argentaria, S.A. and its consolidated subsidiaries.

BBVA’s predecessor bank, BBV, was incorporated in Spain as a limited liability company (a *sociedad anónima* or “S.A.”) under the Spanish Corporations Law on October 1, 1988. BBVA was formed as the result of a merger by absorption of Argentaria into BBV that was approved by the shareholders of each institution on December 18, 1999 and registered on January 28, 2000. It conducts its business under the commercial name “BBVA”. BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, telephone number +34-91-3746201. BBVA’s agent in the U.S. for U.S. federal securities law purposes is Raúl Santoro de Mattos Almeida (BBVA New York, 1345 Avenue of the Americas, 45th floor, New York, 10105, telephone number +1-212-728-1660). BBVA is incorporated for an unlimited term.

Summary Financial Information

As at December 31, 2010 BBVA’s consolidated total assets were €552.738 million and its consolidated net income attributable to the parent company for the year then ended was €4.606 million. BBVA’s audited consolidated financial statements for each of the years ended December 31, 2010, December 31, 2009 and December 2008 are incorporated by reference into this document, see “*Documents Incorporated by Reference*”.

The key audited financial data for the BBVA Group for the last three accounting periods (2010, 2009 and 2008) are as follows:

	31-12-10	□%	31-12-09	31-12-08
BALANCE SHEET (million euros)				
Total assets	552.738	3,3	535.065	542.650
Total lending (gross)	348.253	4,8	332.162	342.682
Customer funds on balance sheet	378.388	1,7	371.999	376.380
Other customer funds	147.572	7,6	137.105	119.034
Total customer funds	525.960	3,3	509.104	495.414
Total equity	37.475	21,8	30.763	26.705
Stockholders' funds	36.689	25,0	29.362	26.586
INCOME STATEMENT (million euros)				
Net interest income	13.320	(4,0)	13.882	11.686
Gross income	20.910	1,2	20.666	18.978
Operating income	11.942	(3,0)	12.308	10.523
Income before tax	6.422	12,0	5.736	6.926
Net attributable profit	4.606	9,4	4.210	5.020
Net attributable profit excluding one-offs ⁽¹⁾	4.606	(12,4)	5.260	5.414
DATA PER SHARE AND SHARE PERFORMANCE RATIOS				
Share price (euros)	7,56	(40,6)	12,73	8,66
Market capitalization (million euros)	33.951	(28,8)	47.712	32.457
Net attributable profit per share (euros) ⁽²⁾	1,17	8,3	1,08	1,31
Net attributable profit per share excluding one-offs (euros) ⁽¹⁻²⁾	1,17	(13,3)	1,35	1,41
Book value per share (euros)	8,17	4,3	7,83	7,09
Tangible book value per share (euros) ⁽³⁾	6,27	6,3	5,90	4,99
P/BV (Price/book value; times)	0,9		1,6	1,2
Price/tangible book value (times) ⁽³⁾	1,2		2,2	1,7
PER (Price/Earnings; times)	7,4		11,3	6,5
SIGNIFICANT RATIOS (%)				
ROE (Net attributable profit/Average equity)	15,8		16,0	21,5
ROE excluding one-offs ⁽¹⁾	15,8		20,0	23,2
ROA (Net income/Average total assets)	0,89		0,85	1,04
ROA excluding one-offs ⁽¹⁾	0,89		1,04	1,12
RORWA (Net income/Average risk-weighted assets)	1,64		1,56	1,94
RORWA excluding one-offs ⁽¹⁾	1,64		1,92	2,08
Efficiency ratio	42,9		40,4	44,6
Risk premium excluding one-offs ⁽¹⁾	1,27		1,15	0,82
NPA ratio	4,1		4,3	2,3
NPA coverage ratio	62		57	92
CAPITAL ADEQUACY RATIOS (%)				
BIS Ratio	13,7		13,6	12,2
Core capital	9,6		8,0	6,2
Tier I	10,5		9,4	7,9
OTHER INFORMATION				
Number of shares (millions)	4.491		3.748	3.748
Number of shareholders	952.618		884.373	903.897
Number of employees	106.976		103.721	108.972
Number of branches	7.361		7.466	7.787
Number of ATMs	16.995		15.716	14.888

General note: These quarterly statements have not been audited. The consolidated accounts of the BBVA Group have been drawn up according to the International Financial Reporting Standards (IFRS) adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein.

(1) In the third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit, and in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.

In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

(2) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

(3) Net of goodwill.

Results of Operations by Business Areas for the years ended December 31, 2010 and 2009 and business overview

Description of the Group's business segments

The business areas described below are considered the Group's business segments. The composition of the Group's business areas as of 31 December 2010 was as follows:

- **Spain and Portugal:** This area handles the financial and non-financial needs of private individual customers (Retail Network), including the higher net-worth market segment (BBVA Banca Privada, private banking), as well as the business segment (professionals, the self-employed, retailers, the farming community and SMEs) in the Spanish market. It also manages business with SMEs, corporations and public and private institutions and developers in Spain through the Corporate and Business Banking unit ("CBB"). Other specialized units handle online banking, consumer finance (the Consumer Finance Unit), the bancassurance business (BBVA Seguros) and BBVA Portugal.
- **Mexico:** Includes the banking, pensions and insurance businesses in the country.
- **United States:** encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico.
- **South America:** Includes the banking, pensions and insurance businesses in South America.
- **Wholesale Banking and Asset Management (WB&AM):** handles the Group's wholesale businesses and asset management in all the geographical areas where it operates. For the purposes of this financial report, the business and earnings of the units in the Americas are registered in their respective areas (Mexico, South America and the United States). **WB&AM is organized** around three main business units: Corporate and Investment Banking ("C&IB"), Global Markets ("GM") and Asset Management ("AM"). It also includes the Industrial and Real Estate Holdings unit and the Group's holdings in the CITIC financial group.

C&IB coordinates the origination, distribution and management of a complete catalogue of corporate and investment banking products (corporate finance, structured finance, structured trade finance, equity capital markets and debt capital markets), and global transactional services. Large corporate customers are offered a specialized coverage by sector (industry bankers).

This unit handles the origination, structuring, distribution and risk management of market products, which are traded through several markets.

Asset Management is BBVA's provider of asset management solutions. It designs and manages mutual funds, pension funds and the third-party fund platform Quality Funds. The unit has solutions tailored for each customer segment, based on constant product innovation as the key to success.

Industrial and Real Estate Holdings diversifies the area by developing long-maturing projects that create value in the medium and long-term through the active management of industrial equity holdings and real estate projects (Duch).

As well as the areas indicated, all the areas also have allocations of other businesses that include eliminations and other items not assigned to the units.

Finally, the Corporate Activities unit includes all the business not included in the business areas. Basically, this segment records the costs from head offices with a strictly corporate function and makes allocations to corporate and miscellaneous provisions, such as early retirement. It also includes the Financial Management unit, which performs management functions for the Group as a whole, essentially management of asset and liability positions in euro-denominated interest rates and in exchange rates, as well as liquidity and capital management functions. The management of asset and liability interest-rate risks in currencies other than the euro is recognized in the corresponding business areas. It also includes the Industrial and Financial Holdings unit and the Group's non-international real estate businesses.

In 2010, certain changes were made in the criteria applied in 2009 in terms of the composition of some of the different business areas, such as:

- **United States and WB&AM:** In order to give a global view of the Group's business in the United States, we decided to include the New York branch, formerly in WB&AM, in the United States area. This change is consistent with BBVA's current method of reporting its business units.
- **South America:** The adjustment for the hyperinflation is included in 2010 in the accounting statements for Banco Provincial (Venezuela); this will also be carried out for the 2009 statements to make them comparable. At the close of 2009, when the Venezuelan economy was for the first time considered hyperinflationary for accounting purposes, this impact was registered in Corporate Activities, with the aim of making comparison with 2008 easier and in order not to distort the quarterly series for 2009 itself.

Likewise, a modification has been made in the allocation of certain costs from the corporate headquarters to the business areas that affect rent expenses and sales of IT services, though to a lesser extent. This has meant that the data for 2009 and 2008 has been reworked to ensure that the different years are comparable.

The breakdown of "Net income attributed to parent company" in 2010 and 2009 by business area in

Net Income by Business Areas	Millions of Euros		
	2010	% Change 2010-2009	2009
Spain and Portugal	2,070	(9.0)	2,275
Mexico	1,707	25.7	1,357
South America	889	14.0	780
The United States	236	n.s.	(950)
WB&AM	950	11.4	852
Corporate Activities	(1,245)	n.s.	(105)
Total	4,606	9.4	4,210

the Group is as follows:

The explanations for the changes in the income statement and the main figures on the balance sheet for each of the business areas are given below.

SPAIN AND PORTUGAL

Spain and Portugal	Millions of Euros		
	2010	% Change 2010-2009	2009
NET INTEREST INCOME	4,675	(4.8)	4,910
Net fees and commissions	1,388	(6.4)	1,482
Net gains (losses) on financial assets and liabilities and net exchange differences	198	6.0	187
Other operating income and expenses	368	(15.7)	436
GROSS INCOME	6,629	(5.5)	7,015
Operating expenses	(2,584)	(1.4)	(2,620)
Personnel, general and administrative expenses	(2,481)	(1.4)	(2,515)
Depreciation and amortization	(103)	(1.9)	(105)
OPERATING INCOME	4,045	(8.0)	4,395
Impairment losses on financial assets (net)	(1,335)	(30.9)	(1,931)
Provisions (net) and other gains (losses)	238	(69.4)	776
INCOME BEFORE TAX	2,948	(9.0)	3,240
Income tax	(878)	(9.0)	(965)
NET INCOME	2,070	(9.0)	2,275
Net income attributed to non-controlling interests	-	-	-
NET INCOME ATTRIBUTED TO PARENT COMPANY	2,070	(9.0)	2,275

Spain and Portugal	Millions of Euros		
	2010	% Change 2010-2009	2009
Loans and advances to customers (gross)	205,776	0.7	204,378
Total customer funds	144,469	2.1	141,441
Customer deposits (1)	104,809	12.8	92,936
Deposits	104,778	12.8	92,867
Repurchase agreements	32	(54.6)	69
Off-balance-sheet funds	31,441	(21.8)	40,227
Mutual funds	21,455	(28.2)	29,898
Pension funds	9,986	(3.3)	10,329
Others placements	8,218	(0.7)	8,278
Total Assets	217,191	0.6	215,823
NPL Ratio	5.0%		5.1%
NPL Coverage Ratio	45.6%		47.7%

(1) Include collection accounts with customer and insurance rents

The changes in the principal headings of the income statement of this business area were:

- The balance of “*Net interest income*” generated by the area in 2010 totaled €4,675 million, 4.8% down on the €4,910 million posted in 2009. This reduction, within a context of weak banking activity, was partly due to a decrease in the weight of greater risk portfolios (developer sector), and also to the gradual upturn in the cost of funds.
- The balance of the “*Net fees and commissions*” heading in 2010 was €1,388 million, 6.4% down on the €1,482 million in 2009, due to the reduction in fees and commissions applied to a growing number of customers, whose loyalty has increased, together with the decrease in the assets managed in mutual funds.

- The balance of the “**Net gains (losses) on financial assets and liabilities and net exchange differences**” headings for 2010 was €198 million, compared with €187 million in 2009.
- The “**Other operating income and expenses**” balance for 2010 totaled €368 million, compared with €436 million in 2009.

Based on the above, the “**Gross income**” for 2010 was €6,629 million, 5.5% down on the €7,015 million in 2009.

- The balance of “**Operating expenses**” in 2010 was €2,584 million, 1.4% down on the €2,620 million recorded in 2009, thanks to active cost management, even after the virtual conclusion of the Transformation Plan implemented in 2006, with which BBVA moved ahead of the rest of the sector.

Based on the above, “**Operating income**” in 2010 was €4,045 million, 8.0% down on the €4,395 million in 2009. This amount demonstrates the area’s capacity to generate recurring earnings in today’s difficult economic situation.

- The balance of “**Impairment losses on financial assets (net)**” in 2010 was €1,335 million, down 30.9% on the €1,931 million recorded in 2009, thanks to the high quality of the assets in the area.
- The balance of “**Provisions expense (net)**” and “**Other gains (losses)**” in 2010 was €238 million, compared with €776 million in 2009, when the gains from the first stage of the “Árbol” deal, involving the sale and subsequent leaseback of properties in Spain, were accounted for. The gains from the second stage of the aforementioned “Árbol” deal, which were less than in the stage completed in 2009, were included in 2010.

As a result of the above, “**Income before tax**” for 2010 was €2,948 million, a decrease of 9.0% on the €3,240 million in 2009.

- The balance of “**Income tax**” in 2010 was €878 million, compared with €965 million in 2009, a year-on-year fall of 9.0%.

As a result of the above, “**Net income**” for 2010 totaled €2.070 million, down 9.0% on the €2.275 million in 2009.

The changes in the principal headings of activity in this area of the business were as follows:

- As of December 31, 2010, the balance of **loans and advances to customers (gross)** was €205,776 million, up 0.7% on the €204,378 million as of December 31, 2009. This amount is particularly relevant if we take into account the adverse economic environment in which it was generated, with weak consumption, stagnation of mortgage credit and gradual deleveraging of companies. In this context, the area gained 33 basis points in market share in mortgage lending to households in 2010, continued to be the main provider in the company segment and was one of the most active entities in ICO fund placement.
- As of December 31, 2010, total **customer funds**, both on and off the balance sheet (comprising mutual funds, pension funds and other placements) stood at €144,469 million, an increase of 2.2% on the figure of €141,441 million as of December 31, 2009, due primarily to the increase in customer deposits. Improved positioning of the area in term deposits and the high proportion of transactional liabilities on total on-balance sheet funds (37.9%) are also worth mentioning.

MEXICO

Mexico	Millions of Euros		
	2010	% Change 2010-2009	2009
NET INTEREST INCOME	3,688	11.5	3,307
Net fees and commissions	1,233	14.5	1,077
Net gains (losses) on financial assets and liabilities and net exchange differences	395	6.6	370
Other operating income and expenses	179	54.8	116
GROSS INCOME	5,496	12.8	4,870
Operating expenses	(1,899)	22.2	(1,554)
Personnel, general and administrative expenses	(1,813)	21.8	(1,489)
Depreciation and amortization	(86)	32.5	(65)
OPERATING INCOME	3,597	8.5	3,316
Impairment losses on financial assets (net)	(1,229)	-19.4	(1,525)
Provisions (net) and other gains (losses)	(87)	n.s.	(21)
INCOME BEFORE TAX	2,281	28.8	1,770
Income tax	(570)	38.8	(411)
NET INCOME	1,711	25.8	1,360
Net income attributed to non-controlling interests	(4)	89.5	(2)
NET INCOME ATTRIBUTED TO PARENT COMPANY	1,707	25.7	1,357

Mexico	Millions of Euros		
	2010	% Change 2010-2009	2009
Loans and advances to customers (gross)	36,526	26.0	28,996
Total customer funds	69,300	28.1	54,098
Customer deposits (1)	38,051	21.8	31,252
Deposits	32,617	19.9	27,201
Repurchase agreements	5,434	34.1	4,051
Off-balance-sheet funds	28,122	40.2	20,065
Mutual funds	15,341	45.5	10,546
Pension funds	12,781	34.3	9,519
Other placements	3,127	12.4	2,781
Total Assets	75,152	19.6	62,855
NPL Ratio	3.2%		4.3%
NPL Coverage Ratio	151.6%		129.8%

(1) Excluding deposits and repos issued by Banco Mer Market Unit.

A year-on-year comparison of the financial statements for this area is skewed by the depreciation of the Mexican peso with respect to the euro, both in terms of final and average exchange rates; hence, for the most important figures, the percentage change against a constant exchange rate is indicated.

The changes in the principal headings of the income statement of this business area were:

- The balance of “*Net interest income*” in 2010 was €3,688 million, an increase of 11.5% on the €3,307 million in 2009. This increase is primarily due to the aforementioned exchange-rate effect (at a constant exchange rate the change would have been -0.7%).
- The balance of “*Net fees and commissions*” in 2010 was €1,233 million, an increase of 14.5% on the €1,077 million in 2009, primarily due to the aforementioned exchange-rate effect. At a constant exchange rate, the increase was 1.9% and was due to higher fees and

commissions charged in the pension fund administration business and to the activity in investment companies.

- The balance of the “**Net gains (losses) on financial assets and liabilities and net exchange differences**” heading for 2010 was €395 million, a 6.6% increase on the €370 million in 2009, also due to the exchange-rate effect.
- The balance of the “**Other operating income and expenses**” heading in 2010 rose to €179 million, a 54.8% increase on the €116 million posted in 2009, due to the exchange-rate effect (without this effect the percentage change is +37.9%) and to the positive results obtained in the insurance activity.

Based on the above, the “**Gross income**” for 2010 was €5,496 million, with an increase of 12.8% on the €4.870 million in 2009 (+0.5% at a constant exchange rate).

- “**Operating expenses**” in 2010 stood at €1,899 million, with an increase of 22.2% (+8.8 at a constant exchange rate) on the €1,554 million in 2009, due to greater investment in technology and infrastructure and the launch of a strategic growth plan that will be in force over the coming two years.

Based on the above, the “**Operating income**” for 2010 was €3,597 million, with an increase of 8.5% on the €3.316 million in 2009 (-3.4% at a constant exchange rate).

- The balance of the “**Impairment losses on financial assets (net)**” heading in 2010 dropped to €1,229 million, a 19.4% decrease on the €1,525 million in 2009, partly due to the reduced weight of higher risk portfolios on the area’s total loans, as well as a significant improvement in credit rating in 2010 in virtually all the segments of the investment portfolio. The favorable performance of this heading had a positive effect on the area’s risk premium and had no negative effect on hedging, which was 152% at the close of 2010 (130% as of December 31, 2009).
- The balance of “**Provisions expense (net)**” and “**Other gains (losses)**” in 2010 was €87 million, compared to €21 million in 2009.

Based on the foregoing, the “**Income before tax**” for 2010 was €2,281 million, a 28.8% increase on the €1.770 million recorded in 2009.

- The balance of “**Income tax**” for 2010 was €570 million, up 38.8% on the €411 million recorded in 2009, due to the rise in the income tax rate starting on January 2010 (from 28% to 30%) and in value added tax (from 15% to 16%).

The balance of “**Net income**” in 2010 rose to €1,711 million, an increase of 25.8% on the €1,360 million in 2009 (+12.0% at a constant exchange rate). The “Net income attributed to parent company” for 2010 was €1,707 million, a 25.7% increase on the €1.357 million in 2009 (+11.9% without the currency effect).

The changes in the principal headings of activity in this area of the business were as follows:

- As of December 31, 2010, the “**Loans and advances to customers (gross)**” balance was €36,526 million, up 26.0% on the €28,996 million as of December 31, 2009. Without the currency effect, the increase was 10.2% due to strong recovery of activity in the area in 2010,

thanks to the economic recovery, BBVA Bancomer's positive commercial management and improved productivity in its distribution networks.

- As of December 31, 2010, total **customer funds**, both on-balance sheet and off-balance sheet, including mutual funds and other placements, amounted to €56,519 million, an increase of 26.8% on the €44,579 million as of December 31, 2009. Without the currency effect, the increase was 10.9%, due to positive performance of demand deposits and the dynamism shown by assets managed in mutual funds.

SOUTH AMERICA

South America	Millions of Euros		
	2010	% Change 2010-2009	2009
NET INTEREST INCOME	2,495	(2.8)	2,566
Net fees and commissions	957	5.4	908
Net gains (losses) on financial assets and liabilities and net exchange differences	514	26.7	405
Other operating income and expenses	(168)	(30.7)	(242)
GROSS INCOME	3,797	4.4	3,637
Operating expenses	(1,668)	5.6	(1,579)
Personnel, general and administrative expenses	(1,537)	5.0	(1,464)
Depreciation and amortization	(131)	14.1	(115)
OPERATING INCOME	2,129	3.4	2,058
Impairment losses on financial assets (net)	(419)	(2.8)	(431)
Provisions (net) and other gains (losses)	(40)	(22.1)	(52)
INCOME BEFORE TAX	1,670	6.0	1,575
Income tax	(397)	(1.7)	(404)
NET INCOME	1,273	8.6	1,172
Net income attributed to non-controlling interests	(383)	(2.1)	(392)
NET INCOME ATTRIBUTED TO PARENT COMPANY	889	14.0	780

South America	Millions of Euros		
	2010	% Change 2010-2009	2009
Loans and advances to customers (gross)	31,512	20.2	26,223
Total customer funds	87,933	12.0	70,249
Customer deposits (1)	36,070	(40.2)	31,528
Deposits	35,939	15.1	31,235
Repurchase agreements	131	(55.2)	293
Off-balance-sheet funds	51,862	52.2	38,720
Mutual funds	3,063	17.0	2,617
Pension funds	48,800	35.2	36,104
Other placements	-	-	-
Total Assets	51,663	16.4	44,378
NPL Ratio	2.5%		2.7%
NPL Coverage Ratio	130.3%		129.5%

(1) Includes trading debt securities

The year-on-year comparison of the financial statements in this area is affected by the general appreciation of currencies in the region, except for the Venezuelan bolivar, which suffered a devaluation at the start of the year. The exchange-rate effect is thus negative in the financial statements for South America, both in terms of the income statements and the balance sheets. For the

most important transactions, a reference is given to indicate the percentage change with regard to constant exchange rates.

The changes in the principal headings of the income statement of this business area were:

- The balance of “**Net interest income**” in 2010 was €2,495 million, down 2.8% on the €2,566 million in 2009. This decrease is primarily due to the exchange-rate effect mentioned above. Excluding the exchange-rate effect, there was an increase of 11.1%, due to the upturn in activity, which has compensated the effect on spreads of high competitive pressure in the region.
- The balance of “**Net fees and commissions**” for 2010 was €957 million, an increase of 5.4% on the figure of €908 million in 2009. The rise was basically due to the increased banking business, despite the negative effect of the regulatory limitations that entered into force in some countries in the area in 2010.
- The balance of “**Net gains (losses) on financial assets and liabilities and net exchange differences**” in 2010 was €514 million, an increase of 26.7% on the €405 million in 2009, primarily as a result of the valuation of US dollar positions of the Venezuelan subsidiary due to the devaluation of the Venezuelan bolivar.
- The balance of “**Other operating income and expenses**” in 2010 was a loss of €168 million, compared with a loss of €242 million in 2009. This line mainly includes the adjustment for hyperinflation in Venezuela.

As a result of the above, “**Gross income**” for 2010 was €3,797 million, an increase of 4.4% on the €3,637 million in 2009.

- The balance of “**Operating expenses**” in 2010 was €1,668 million, an increase of 5.6% on the €1,579 in 2009. At constant exchange rates there was an increase of 14.2%, due to the expansion projects underway in the area.

Based on the above, the “**Operating income**” for 2010 was €2,129 million, with an increase of 3.4% on the €2,058 million in 2009. The increase at constant exchange rates was 6.4%.

- The balance of “**Impairment losses on financial assets (net)**” in 2010 was €419 million, a decrease of 2.8% on the €431 million in 2009, against a background of economic growth with improved asset quality that has enabled the volume of nonperforming assets to be held in check.
- The balance of “**Provisions (net) and other gains (losses)**” in 2010 was €40 million, compared with €52 million in 2009.

As a result of the above, “**Income before tax**” in 2010 was €1,670 million, an increase of 6.0% on the €1,575 million in 2009. Without the exchange-rate effect the increase was 11.3%.

- The balance of “**Income tax**” in 2010 was €397 million, a decrease of 1.7% on the €404 million in 2009.

As a result, “*Net income*” for 2010 was €1.273 million, an increase of 8.6% on the €1.172 million in 2009.

- “*Net income attributed to non-controlling interests*” for 2010 was €383 million, a slight fall of 2.1% on the €392 million in 2009.

The “*Net income attributed to parent company*” for 2010 was €889 million, a 14.0% increase on the €780 million in 2009 (at constant exchange rates the increase was 16.5%).

The changes in the principal headings of activity in this area of the business were as follows:

- As of December 31, 2010, the balance of loans and advances to customers (gross) was €31,512 million, up 20.2% on the figure of €26,223 million as of December 31, 2009, due to the economic recovery in practically all the lines of business and countries.
- As of December 31, 2010, total customer funds, both on the balance sheet and mutual funds, totaled €39,133 million, an increase of 14.6% on the figure of €34,145 million as of December 31, 2009, due primarily to the positive performance lower-cost items (current and savings accounts). The assets under management in pension funds were up by 35.2% to €48,800 million as of December 31, 2010, compared with €36,104 million at the close of December 2009.

THE UNITED STATES

The United States	Millions of Euros		
	2010	% Change 2010-2009	2009
NET INTEREST INCOME	1,794	6.8	1,679
Net fees and commissions	646	5.8	610
Net gains (losses) on financial assets and liabilities and net exchange differences	156	0.1	156
Other operating income and expenses	(49)	49.4	(33)
GROSS INCOME	2,546	5.5	2,413
Operating expenses	(1,517)	11.2	(1,365)
Personnel, general and administrative expenses	(1,318)	13.7	(1,159)
Depreciation and amortization	(199)	(3.1)	(205)
OPERATING INCOME	1,029	(1.8)	1,048
Impairment losses on financial assets (net)	(703)	(50.5)	(1,420)
Provisions (net) and other gains (losses)	(22)	(97.9)	(1,056)
INCOME BEFORE TAX	304	n.s.	(1,428)
Income tax	(68)	n.s.	478
NET INCOME	236	n.s.	(950)
Net income attributed to non-controlling interests	(0)	(20.0)	(0)
NET INCOME ATTRIBUTED TO PARENT COMPANY	236	n.s.	(950)

The United States	Millions of Euros		
	2010	% Change 2010-2009	2009
Loans and advances to customers (gross)	39,570	(3.8)	41,122
Customer deposits (1)	41,354	(51.3)	60,963
Deposits	41,139	(32.2)	60,698
Repurchase agreements	214	(19.1)	265
Total Assets	57,613	(26.0)	77,896
NPL Ratio	4.4%		4.2%
NPL Coverage Ratio	61.1%		58.1%

(1) Excluding deposits and repos issued by M Market Unit.

A year-on-year comparison of the financial statements for this area is skewed by the appreciation of the US dollar against the euro, both in terms of final and average exchange rates; this leads to a positive exchange-rate effect on the figures in both business activity and the income statement. For the most important figures, a reference is given to indicate the percentage change at constant exchange rates.

The changes in the principal headings of the income statement of this business area were:

- The “**Net interest income**” balance in 2010 was €1,794 million, a 6.8% increase on the €1,679 million in 2009. This increase is the result of the exchange-rate effect (without it the year-on-year increase is 1.3%), as well as the contribution of Guaranty and the repricing effort throughout the year.
- The balance of “**Net fees and commissions**” for 2010 was €646 million, 5.8% up on the figure of €610 million in 2009. The increase is mainly the result of the change in the exchange rate (a rise of 0.3% without its impact).
- The balance of “**Net gains (losses) on financial assets and liabilities and net exchange differences**” in 2010 was €156 million, a similar level to 2009.
- The balance of “**Other operating income and expenses**” for 2010 was -€49 million, compared with -€33 million in 2009.

As a result of the above, “**Gross income**” for 2010 was €2,546 million, an increase of 5.5% on the €2,413 million in 2009.

- The balance of “**Operating expenses**” in 2010 was €1,517 million, an increase of 11.2% on the €1,365 million in 2009, mainly due to the integration of Guaranty into the BBVA USA franchise.

As a result, the “**Operating income**” for 2010 was €1,029 million, a fall of 1.8% on the €1,048 million for 2009.

- The balance of “**Impairment losses on financial assets (net)**” for 2010 was €703 million, a fall of 50.5% on the €1,420 million in 2009, mainly as a result of increased loan-loss provisions in 2009, aimed at increasing the coverage in the area, and the risk control mechanisms implemented in 2010.

- The balance of "**Provisions (net) and other gains (losses)**" in 2010 was €22 million, compared with €1,056 million in 2009, when it included the charge for impairment in goodwill generated by the successive acquisitions made to construct the United States franchise.

As a result of the above, "**Income before taxes**" for 2010 was €304 million, compared with a negative €1,428 million in 2009.

- The balance of "**Income tax**" in 2010 was €68 million, compared with €478 million in 2009.

As a result, "**Net income attributed to parent company**" in 2010 was €236 million, compared with a loss of €950 million in 2009.

The changes in the principal headings of activity in this area of the business were as follows:

- As of December 31, 2010, the loan and advances to customers (gross) balance was €39,570 million, 3.8% down on the €41,122 million as of December 31, 2009 (-10.7% without the exchange-rate effect). However, it is worth highlighting the selective growth of lending in the area, with a change in the portfolio mix towards items of less cyclical risk resulting from a clear focus on customer loyalty, credit quality, promotion of cross-selling and customer profitability. Thus the residential real estate portfolio and commercial, industrial and corporate loans have increased. In contrast, the construction real estate portfolio has reduced.
- As of December 31, 2010, customer funds totaled €41,354 million, a fall of 32.2% compared with the figure of €60,963 million as of December 31, 2009, due mainly to the reduction in maturity. However, there has been a notable performance of lower-cost deposits such as current and savings accounts. This in turn has a positive effect on customer spread, as interests paid on customer deposits have fallen.

WHOLESALE BANKING AND ASSET MANAGEMENT (WB&AM)

Wholesale Banking and Asset Management (WB&AM)	Millions of Euros		
	2010	% Change 2010-2009	2009
NET INTEREST INCOME	831	(15.4)	982
Net fees and commissions	492	6.8	461
Net gains (losses) on financial assets and liabilities and net exchange differences	(66)	13.1	(59)
Other operating income and expenses	500	59.2	314
GROSS INCOME	1,758	3.4	1,699
Operating expenses	(501)	3.3	(485)
Personnel, general and administrative expenses	(492)	3.5	(476)
Depreciation and amortization	(9)	(7.6)	(10)
OPERATING INCOME	1,257	3.5	1,214
Impairment losses on financial assets (net)	(116)	92.9	(60)
Provisions (net) and other gains (losses)	2	n.s.	(4)
INCOME BEFORE TAX	1,143	(0.6)	1,150
Income tax	(192)	(34.8)	(294)
NET INCOME	951	11.2	856
Net income attributed to non-controlling interests	(2)	(53.2)	(3)
NET INCOME ATTRIBUTED TO PARENT COMPANY	950	11.4	852

Wholesale Banking and Asset Management (WB&AM)	Millions of Euros		
	2010	% Change 2010-2009	2009
Loans and advances to customers (gross)	36,197	16.5	31,058
Total customer funds	38,417	(12.3)	43,926
Customer deposits (1)	27,632	(15.7)	32,788
Deposits	21,118	(16.3)	25,220
Repurchase agreements	6,515	(13.9)	7,568
Off-balance-sheet funds	10,785	(3.2)	11,139
Mutual funds	3,576	(8.6)	3,914
Pension funds	7,209	(0.2)	7,224
Other placements	-	-	-
Total Assets	121,522	14.0	106,563
NPL Ratio	1.2%		1.2%
NPL Coverage Ratio	70.6%		69.9%

(1) Include collection accounts

The changes in the principal headings of the income statement of this business area were:

- “*Net interest income*” and “*Net income from financial operations and net exchange differences*” should be examined together for the purposes of management due to offsets between the two in given market transactions. The aggregate balance of these two items in 2010 was €765 million, a fall of 17.2% on the €924 million in 2009. This fall is mainly due to an environment of high market volatility, which has led to worse trading income as credit spreads widened in the south of Europe, despite the good performance of business in Corporate and Investment Banking (C&IB), with a year-on-year growth in these items of 13.3% and a favorable performance of income from customers in Global Markets (up 20.3% year-on-year).
- The balance of “*Net fees and commissions*” for 2010 was €492 million, an increase of 6.8% on the €461 million in 2009, mainly because of the recurring revenues generated by shift in activity in the area towards business with customers with a high earning potential.
- The balance of “*Other operating income and expenses*” for 2010 was €500 million, up 59.2% compared with €314 million in 2009, mainly due to earnings of entities accounted for using the equity method, and specifically the increased contribution from China National Citic Bank (CNCB).

As a result of the above, “*Gross income*” for 2010 was €1,758 million, an increase of 3.4% on the €1,699 million in 2009.

- The balance of “*Operating expenses*” for 2010 was €501 million, an increase of 3.3% on the €485 million in 2009, due to investment in systems and the various growth plans implemented in the area.

As a result of the above, “*Operating income*” for 2010 was €1,257 million, an increase of 3.5% on the €1,214 million in 2009.

- The balance of “*Impairment losses on financial assets (net)*” in 2010 was €116 million, compared with €60 million in 2009, and accounting for only 9.2% of the operating income in the area.

- The balance of "**Provisions (net)**" and "**Other gains (losses)**" in 2010 was a recovery of €2 million.

As a result of the above, "**Income before tax**" for 2010 was €1,143 million, a slight fall of 0.6% on the €1,150 million for 2009.

- The balance of the heading "**Income Tax**" in 2010 was €192 million, a fall of 34.8% on the €294 million in 2009, due to the favorable tax effect from the result of entities accounted for using the equity method.

As a result, discounting the corresponding part of non-controlling interests, "**Net income**" in 2010 was €950 million, an increase of 11.4% on the €852 million in 2009.

The changes in the principal headings of activity in this area of the business were as follows:

- The area's **loans and advances to customers (gross)** as of 31-Dec-2010 was €36,197 million, 16.5% up on the €31,058 million as of December 31, 2009. However, this rise is mainly the result of a greater volume of repos in Global Markets, as in C&IB the trend continues to be for containment, with a year-on-year fall of 2.7%. This is because improving asset quality means focusing on customers with a greater loyalty, profitability and credit quality.
- As of December 31, 2010, total **customer funds**, including on-balance-sheet and off-balance-sheet, including mutual funds and pension funds, amounted to €38,417 million, a fall of 12.6% on the figure of €43,926 million as of December 31, 2009, due to the maturities on mutual funds and the difficult environment for Global Markets activity, which were not offset by the maintenance of funds in the C&IB unit.

CORPORATE ACTIVITIES

Corporate Activities	Millions of Euros		
	2010	% Change 2010-2009	2009
NET INTEREST INCOME	(163)	n.s.	437
Net fees and commissions	(179)	65.4	(108)
Net gains (losses) on financial assets and liabilities and net exchange differences	698	44.2	484
Other operating income and expenses	329	50.0	219
GROSS INCOME	684	(33.7)	1,031
Operating expenses	(798)	5.6	(755)
Personnel, general and administrative expenses	(566)	1.3	(559)
Depreciation and amortization	(232)	18.1	(197)
OPERATING INCOME	(114)	n.s.	276
Impairment losses on financial assets (net)	(916)	n.s.	(107)
Provisions (net) and other gains (losses)	(893)	20.5	(741)
INCOME BEFORE TAX	(1,924)	236.3	(572)
Income tax	678	49.3	454
NET INCOME	(1,246)	n.s.	(118)
Net income attributed to non-controlling interests	0	(97.8)	13
NET INCOME ATTRIBUTED TO PARENT COMPANY	(1,245)	n.s.	(105)

The changes in the principal headings of the income statement of this business area were:

- The balance of "**Net interest income**" in 2010 was -€163 million, compared with a positive €437 million in 2009. Net interest income has been negatively affected by the end of the

recovery in mortgage lending following the fall in interest rates in 2009; and by the recent upturn in the interest-rate curve in the euro zone.

- The balance “**Net gains (losses) on financial assets and liabilities and net exchange differences**” for 2010 was €698 million, an increase of 44.2% on the €484 million recorded in 2009, due mainly to an appropriate rotation of the sovereign bond portfolio in the first half of the year in the Financial Planning unit, which took advantage of market volatility to achieve positive earnings.
- The balance of “**Other operating income/expenses**” for 2010 was €329 million, a 50.0% increase over the €219 million recorded in 2009. Its main component continues to be the dividends from BBVA’s investment in Telefónica, which increased from €1.0 to €1.3 per share.

As a result of the above, “**Gross income**” for 2010 was €684 million, down 33.7% on the €1,031 million in 2009.

- The balance of “**Operating expenses**” in 2010 was €798 million, an increase of 5.6% on the €755 million in 2009. A major reason was the new investments in the new technological platform and in image and brand identity.

As a result of the above, “Operating income” for 2010 was -€114 million, compared with €276 million in 2009.

- “**Impairment losses on financial assets (net)**” for 2010 stood at €916 million, compared with a figure of €107 million in 2009. These increased loan-loss provisions are basically the result of greater generic provisions made in the first half of the year to improve the Group's coverage.
- The balance of “**Provisions (net)**” and “**Other gains (losses)**” in 2010, which basically includes the provisions for early retirement and write-offs for acquired and foreclosed assets, stood at €893 million, an increase of 20.5% on the €741 million euros in 2009. This is mainly due to continuing provisions for foreclosed assets and real estate assets designed to maintain coverage of these assets at above 30%.

As a result of the above, “**Income before taxes**” for 2010 was a negative €1,924 million, compared with losses of €572 million in 2009.

- The balance of “**Income tax**” in 2010 was €678 million in income, compared with €454 million in income in 2009.

As a result of the above, “**Net income**” for 2010 was a €1,246 million loss, compared with losses of €118 million in 2009.

- “**Net income attributed to non-controlling interests**” for 2010 was not significant, compared with €13 million in 2009.

Finally, “**Net income attributed to parent company**” in 2010 amounted to a loss of €1,245 million, compared with losses of €105 million in 2009.

DIRECTORS AND SENIOR MANAGEMENT

BBVA is managed by a Board of Directors which, in accordance with its current by-laws (*Estatutos*), must consist of no less than nine and no more than 16 members.

The Board of Directors has created the Executive Committee, the Audit and Compliance Committee, the Appointments Committee, Remuneration Committee and the Risk Committee. All the Board of Directors Committees were formed on June 28, 2002, except the Appointments Committee and Remuneration Committee which were formed on May 25, 2010.

BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors, which, under BBVA's Regulations of the Board of Directors, must be comprised of at least half plus one independent director. The Board of Directors delegates all management functions, except those that it must retain due to legal or statutory requirements, to the Executive Committee.

Board of Directors

The Board of Directors of BBVA is currently comprised of 13 members. The business address of the Directors of BBVA is Paseo de la Castellana 81, 28046 Madrid.

The following table sets forth the names of the members of the Board of Directors as of the date of this Base Prospectus, their date of appointment and re-election, if applicable, their current positions and their present principal outside occupation and five-year employment history.

BBVA may, from time to time, enter into transactions in the ordinary course of its business, and on an arm's-length basis, with the Directors.

BBVA's Regulations for the Board of Directors include rules which are designed to prevent situations where a potential conflict of interest may arise. These Regulations provide, among other matters, that Directors with a potential conflict of interest may not participate in meetings at which those situations are being considered. Accordingly, there are no potential conflicts of interest between the private interests or other duties of the Directors and their duties to BBVA.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History(*)
Francisco González Rodríguez ⁽¹⁾	1944	Chairman and Chief Executive Officer	January 28, 2000	March 12, 2010	Chairman and CEO of BBVA, since January 2000. Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer S.A.
Angel Cano Fernandez ⁽¹⁾	1961	President and Chief Operating Officer	September 29, 2009,	March 12, 2010	President and Chief Operating Officer, BBVA, since 2009. Director of Grupo Financiero BBVA Bancomer and BBVA Bancomer, S.A de CV. Citic Bank board member. BBVA Director of Resources and Means from 2005 to 2009.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History(*)
Tomás Alfaro Drake ⁽²⁾⁽³⁾	1951	Independent Director	March 18, 2006		Chairman of the Appointments Committee since May 25, 2010. Director of Business Management and Administration and Business Sciences programs at Universidad Francisco de Vitoria, since 1998.
Juan Carlos Álvarez Mezquíriz ⁽¹⁾⁽⁴⁾	1959	Independent Director	January 28, 2000	March 18, 2006	Managing Director of Grupo Eulen, S.A.
Rafael Bermejo Blanco ⁽²⁾⁽⁵⁾	1940	Independent Director	March 16, 2007		Chairman of the Audit and Compliance Committee of BBVA since March 28, 2007. Technical Secretary General of Banco Popular, 1999–2004.
Ramón Bustamante y de la Mora ⁽²⁾⁽⁵⁾	1948	Independent Director	January 28, 2000	March 12, 2010 March 13, 2009	Was Director and General Manager and Non-Executive Vice-President of Argentaria and Chairman of Unitaria (1997)
José Antonio Fernández Rivero ⁽³⁾⁽⁵⁾	1949	Independent Director	February 28, 2004		Chairman of Risk Committee since March 30, 2004; On 2001 was appointed Group General Manager, until January 2003. Has been director representing BBVA on the Boards of Telefonica, Iberdrola, and of Banco de Crédito Local, and Chairman of Adquira.
Ignacio Ferrero Jordi ⁽¹⁾⁽⁴⁾	1945	Independent Director	January 28, 2000	March 12, 2010	Chief Operating Officer of Nutrexpa, S.A. and La Piara, S.A. Chairman of Aneto Natural
Carlos Loring Martínez de Irujo ⁽²⁾⁽⁴⁾	1947	Independent Director	February 28, 2004	March 18, 2006	Chairman of the Remuneration Committee since May 25, 2010. Partner of J&A Garrigues, from 1977 until 2004; Director of the Department of Mergers and Acquisitions, of Banking and Capital Markets, Member of the Management Committee since 1985
José Maldonado	1952	External	January 28, 2000	March 13,	Was appointed Director and

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Five-Year Employment History(*)
Ramos ⁽³⁾⁽⁴⁾⁽⁵⁾		Director		2009,	General Secretary of BBVA, in January 2000. Took early retirement as Bank executive in December 2009.
Enrique Medina Fernández ⁽¹⁾⁽⁵⁾	1942	Independent Director	January 28, 2000	March 13, 2009	State Attorney on Sabbatical. Deputy Chairman of Gines Navarro Construcciones until it merged to become Grupo ACS.
Jose Luis Palau García-Suelto	1944	Independent Director	February 1, 2011	-	Since 2002-2010 Freelance Consultant. He has been a member of the Spanish Institute of Auditors, the Official Registry of Auditors and the Banks Committee of the Registry of Auditor Economists.
Susana Rodríguez Vidarte ⁽²⁾⁽³⁾⁽⁴⁾	1955	Independent Director	May 28, 2002	March 18, 2006	Was Dean of Deusto “La Comercial” University 1996-2009 Member of the accounts auditing institute.

(*) Where no date is provided, the position is currently held.

(1) Member of the Executive Committee.

(2) Member of the Audit and Compliance Committee.

(3) Member of the Appointments Committee.

(4) Member of the Remuneration Committee.

(5) Member of the Risk Committee.

Major Shareholders

As of December 31, 2010 Manuel Jove Capellán owned beneficially, directly or indirectly, 5.067% of BBVA’s shares. BBVA’s major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to us, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of December 31, 2010 there were 952,618 registered holders of BBVA’s shares, with an aggregate of 4,490,908,285 shares, of which 226 shareholders with registered addresses in the United States held a total of 979,492,736 shares (including shares represented by American Depositary Receipts (ADRs)). Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders. Our directors and executive officers did not own any ADRs as of December 31, 2010.

Legal Proceedings

On March 15, 2002, the Bank of Spain initiated proceedings against BBVA and 16 of its former directors and executives, as a result of the existence of funds (approximately €225 million) belonging to BBV that were not included in the entity’s financial statements until they were voluntarily regularised by being recognized in the 2000 consolidated income statement as non-recurrent income,

for which the related corporation tax was recognised and paid. BBVA notified the Bank of Spain of these matters on January 19, 2001.

On May 22, 2002, the Board of the Spanish Securities and Exchange Commission (CNMV) commenced proceedings against BBVA for possible contravention of Article 99 ñ) of the Securities Market Act for the same events as those which gave rise to the proceedings initiated by the Bank of Spain.

The start of legal proceedings to determine possible criminal responsibility of the individuals involved in these events triggered the suspension of the above administrative proceedings until a definitive criminal judgment was issued. These criminal proceedings ended with a definitive court judgment in 2007, with none of those involved being convicted. The end of these criminal proceedings meant that the administrative proceedings could be re-opened. The Bank of Spain and the CNMV announced the lifting of the suspension to their proceedings on June 13, 2007 and July 26, 2007, respectively.

On July 18, 2008, the board of the Bank of Spain sanctioned BBVA with a fine of €1 million for a serious breach as typified in article 5.p) of the “Ley de Disciplina e Intervención de las Entidades de Crédito” (Law regulating the conduct of financial entities) and also imposed various sanctions on the managers and executives responsible for such conduct, none of whom are presently members of the board of directors, or hold executive office at BBVA.

On July 18, 2008, the Ministry of Economy and Finance sanctioned the entity with a fine of €2 million, as a result of the proceeding initiated by the CNMV, for a very serious breach under Article 99 ñ) of the Stock Markets Act.

Both decisions were confirmed by the Ministry for Economy and Finance on administrative appeal.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or Iberclear (together, the **Clearing Systems**) currently in effect. The Issuer and the Guarantor take responsibility for the correct extraction and reproduction of the information in this section concerning the Clearing Systems, but neither the Issuer, the Guarantor nor any relevant Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear, Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Iberclear

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form to be listed on a Spanish regulated market, and the clearing and settlement of all trades from the Spanish Stock Exchange, the Public Debt market, AIAF and Latin American stock exchange denominated in euros (Latibex).

Iberclear is owned by the group Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. a holding company which holds a 100% interest in the Spanish regulated markets, Bolsa de Madrid, Bolsa de Barcelona, Bolsa de Bilbao, Bolsa de Valencia, AIAF, Senaf, Latibex, Mercado Alternativo Bursátil and in the Spanish settlement systems Meff MeffClear and Iberclear. The clearance and settlement system of Iberclear and its members are responsible for maintaining records of purchases and sales under the book-entry system.

Iberclear maintains a registry reflecting the number of securities held by each of its member entities on its own behalf as well as the number of securities held of behalf of the third parties. Each member entity, in turn, maintains a registry of the owners of such securities.

On the relevant date for payment of interest amounts in respect of debt securities, Iberclear credits to each participant entity an amount corresponding to the balance of the securities appearing in the records of the relevant participant entity on the day prior to the relevant payment date.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders will be effected by the relevant clearing system in accordance with its rules and through action taken by the relevant Registrar, the relevant Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear will need to have an agreed settlement date between the parties to such transfer.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes between Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations, and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Transfers of Book-Entry Notes

Transfers of any interests in Notes represented by Book-Entries within Iberclear or a Book-Entry Depository will be effected in accordance with the customary rules and operating procedures of Iberclear or the relevant clearing system, in accordance with the laws of Spain

Subject to compliance with the transfer restrictions applicable to the Book-Entry Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between and directly or indirectly through Clearstream, Luxembourg, Euroclear or Iberclear accountholders will be effected by the relevant clearing system in accordance with its rules and through action taken by the relevant Registrar, the relevant Paying Agent and any custodian (Custodian) with whom the relevant Book-Entry Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Iberclear will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg, Euroclear or Iberclear will need to have an agreed settlement date between the parties to such transfer.

Iberclear have published rules and operating procedures designed to facilitate transfers of beneficial interests in Book-Entry Notes between Clearstream, Luxembourg, Euroclear and/or Iberclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by Clearstream, Luxembourg, Euroclear or Iberclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Book-Entry Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. References in this section to Noteholders include the beneficial owners of the Notes.

ACQUISITION OF THE NOTES

The issue of, subscription for, transfer and acquisition of the Notes is exempt from Transfer and Stamp Tax (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*) and Value Added Tax (*Impuesto sobre el Valor Añadido*).

TAXATION ON THE INCOME AND TRANSFER OF THE NOTES

The tax treatment of the acquisition, holding and subsequent transfer of the Notes is summarised below and is based on the tax regime applicable to the Notes pursuant to Royal Legislative Decree 4/2004 of March 5, 2004 approving the consolidated text of the Corporate Income Tax Law (*Impuesto sobre Sociedades*), Law 35/2006 of November 28, 2006 approving the Individuals Income Tax Law (*Impuesto sobre la Renta de las Personas Físicas*) and Royal Legislative Decree 5/2004 of March 5, 2004 approving the consolidated text of the Non-Resident Income Tax Law as amended by Royal Decree law 2/2008, of April 21, 2008 (*Impuesto sobre la Renta de los no Residentes*), Law 19/1991 of June 6, 1991 approving the Wealth Tax Law (*Impuesto sobre el Patrimonio*), and Law 29/1987 of December 18, 1987 approving the Inheritance and Gift Tax Law. Consideration has also been given to the rules for the implementation of such regulations (Royal Decree 1777/2004 of July 30, 2004 approving the Corporate Income Tax Regulations, Royal Decree 439/2007 of March 30, 2007 approving the Individuals Income Tax Regulations and Royal Decree 1776/2004 of July 30, 2004 approving the Non-Resident Income Tax Regulations).

On July 6, 2003, new legislation came into force in Spain relating to, inter alia, the issuance of preferred securities and debt securities issued by Spanish financial and non-financial listed entities, either directly or through a subsidiary (Additional Provision Two of Law 13/1985 of May 25, 1985 on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003 of July 4, 2003 on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures and Law 23/2005 of November 18, 2005 on certain measures to promote productivity). Consideration has also been given to Spanish Royal Decree 1065/2007 of July 27, 2007.

INDIVIDUALS OR ENTITIES WITH TAX RESIDENCY IN SPAIN

Individuals Income Tax

Income obtained by Noteholders who are Individuals Income Tax payers, both as interest and in connection with the transfer, redemption or repayment of the Notes, shall be considered income on investments obtained from the assignment of own capital to third parties, as defined in Section 25.2 of Individuals Income Tax Law (**IRPF**) and therefore will be taxed as savings income at the current rate of 21 per cent. (except the first 6.000 euros of income that will be taxed at the rate of 19 per cent).

In this sense, in the event of revenues derived from receipt of Notes, the aggregate income shall be determined by the amount of interest received, including the withholding tax made, as the case may be.

Furthermore, in the event of transfer, redemption or repayment of the Notes, the income on investment shall be deemed to be the difference between the transfer, redemption or repayment value (less properly supported ancillary disposal expenses) and the acquisition or subscription value (plus properly supported ancillary acquisition expenses). Expenses corresponding to discretionary or individual portfolio management are not computed for these purposes.

Both types of income received shall be subject to an 19 per cent. withholding tax on account of the individuals' final IRPF tax liability.

Corporate Income Tax

Notes placed outside Spain in another OECD country

Income obtained both as interest and in connection with the transfer, redemption or repayment of the Notes by Corporate Income Tax payers, shall be computed as taxable income in accordance with the rules set out in Title IV of the Corporate Income Tax Law and will therefore be taxed at the current rate of 30 per cent. in 2008 and subsequent years.

The aforesaid income shall not be subject to withholding tax as provided by Section 59(s) of the Corporate Income Tax Regulations, to the extent that the Notes satisfy the requirements – as Notes issued under the Programme are expected to do – laid down by the reply to the consultation of the Directorate General for Taxation (*Dirección General de Tributos*), on July 20, 2004, indicating that in the case of issues made by entities resident in Spain, as with the Issuer, application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries. Consequently, in respect of any such Notes the Issuer would not make any withholding on interest payments to Spanish Corporation Tax payers that provide relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer would be bound by that opinion and with immediate effect, make the appropriate withholding and the Issuer would not, as a result, be under any obligation to pay additional amounts.

In order to implement the exemption from withholding, the procedure laid down in Order of December 22, 1999 will be followed.

Notes placed in Spain in book entry form and traded on the AIAF

In accordance to Section 59 q) of the Corporate Income Tax Regulations, there is no obligation to make a withholding on income obtained by Spanish Corporation Tax taxpayers from financial assets represented in book entries form and traded on a Spanish official secondary market. Consequently, in respect of any such Notes the Issuer would not make any withholding on interest payments to Spanish Corporation Tax payers that provide relevant information to qualify as such.

In order to implement the exemption from withholding, the procedure laid down in Order of December 22, 1999 will be followed.

INDIVIDUALS OR ENTITIES WITH NO TAX RESIDENCY IN SPAIN

Income obtained by Noteholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, repayment or redemption of the Notes, whether or not through a permanent establishment, shall be considered Spanish source income and therefore subject to taxation

in Spain under Legislative Royal Decree 5/2004 of March 5, 2004 approving the Consolidated Non-Resident Income Tax Law, without prejudice to the provisions contained in any applicable tax treaty for the avoidance of double taxation (DTT).

Income obtained through a permanent establishment in Spain

The holding of Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

Income obtained by Non Spanish resident holders acting through a permanent establishment in Spain will be taxed under the rules provided by Chapter III of the Non-Resident Income Tax Law. These Noteholders will be subject to taxation substantially in the same manner as has been set out for Spanish Corporate Income Tax payers.

Income not obtained through a permanent establishment in Spain

Income obtained by Noteholders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain are exempt from such Non-Resident Income Tax.

For these purposes, and subject to enactment of secondary legislation implementing Law 4/2008 (as described in “*Disclosure of Noteholder Information in Connection with Interest payments*”), it is necessary to fulfil certain disclosure obligations relating to the identity and tax residence of the Noteholders, as described below under “*Disclosure of Noteholder information in connection with interest payments*”, in accordance with Section 44 of Royal Decree 1065/2007 establishing information obligations in relation to preferred securities and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules.

If these disclosure obligations are not complied with in the required manner, the Issuer will apply a withholding of 19 per cent. and neither the Issuer nor the Guarantor will, as a result, be under any obligation to pay additional amounts.

WEALTH TAX

Law 4/2008 has amended Law 19/1991 introducing a credit of 100% over the tax due and removing the obligation to file Wealth Tax declarations as from January 1, 2008.

Legal entities are not subject to Wealth Tax.

INHERITANCE AND GIFT TAX

The transfer of the Notes to individuals by inheritance, legacy or donation shall be subject to the general rules of Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*) in accordance with the applicable regional or state rules even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT signed by Spain.

The effective tax rates, after applying all relevant factors, range between 0 per cent and 81.6 per cent.

In the event that the beneficiary is an entity other than a natural person, the income obtained shall be subject to Corporate Income Tax or Non-Resident Income Tax, as the case may be, and without prejudice, in the latter event, to the provisions of any DTT that may apply.

TAX RULES FOR PAYMENTS MADE BY THE GUARANTOR

Payments which may be made by the Guarantor to Noteholders, if the Guarantee is enforced, will be subject to the same tax rules previously set out for payments made by the Issuer.

DISCLOSURE OF NOTEHOLDER INFORMATION IN CONNECTION WITH INTEREST PAYMENTS

The Issuer or the Guarantor, as the case may be, is currently required by Spanish law to file an annual return with the Spanish tax authorities in which it reports on certain information relating to payments made in respect of the Notes. The Spanish tax authorities may rely on such returns in order to assess whether or not the Issuer or the Guarantor, as the case may be, has correctly withheld tax on payments made by it under the Notes.

The Issuer or the Guarantor, as the case may be, completes each annual return on the basis of the information provided to it by, or on behalf of, Noteholders.

Although Law 4/2008 of December 23, abolishing the Wealth Tax levy, generalizing the Value Added Tax monthly refund system and introducing other amendments to the tax legal system (**Law 4/2008**), modified the regime on information reporting obligations, the Spanish General Directorate for Taxation holds the criteria (binding rulings V0077-09 and V0078-09 issued on January 20, 2009) that, in order to benefit from withholding tax exemption on interest payments in respect of the Notes, non-Spanish tax residents must continue to fulfill the information reporting procedures established under Section 44 of the Spanish Royal Decree 1065/2007. Therefore, Beneficial Owners in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with procedures described herein will receive payments net of Spanish withholding tax, currently at the rate of 19%.

The following is a summary of the procedures implemented by the ICSDs to facilitate collection of the relevant Noteholder information necessary to enable the Issuer or the Guarantor, as the case may be, to comply with its reporting obligations pursuant to Additional Provision Two of Law 13/1985.

The procedures summarised below are subject to review and amendment by the European Clearing Systems and/or Iberclear as well as to further requirements of the Spanish tax authorities. Noteholders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

None of the Issuer, the Guarantor, the Dealers, the Paying Agent, the European Clearing Systems and/or Iberclear assumes any responsibility therefore.

Each Noteholder is therefore deemed to be aware of the obligations set out below regarding the disclosure of Noteholder information and the consequences of non-compliance. Specifically, Noteholders are deemed to be aware of the application of Spanish withholding tax if certain information is not provided in a timely manner.

LEGAL ENTITIES WITH TAX RESIDENCE IN SPAIN SUBJECT TO SPANISH CORPORATE INCOME TAX

The Principal Paying Agent must be provided on payment date with a list of those investors who are Spanish Corporate Income Tax payers together with their name, address, Tax Identification Number, ISIN code of the relevant Series, number of Notes of the relevant Series held at each interest payment date, gross income and amount withheld. All of the records mentioned should be provided in the form set out in Annex III below.

INDIVIDUALS AND LEGAL ENTITIES WHICH ARE NON TAX RESIDENTS IN SPAIN

The information requirements to be complied with in order to apply the exemption are those established by Section 44 of Spanish Royal Decree 1065/2007 of July 27, 2007, being the following:

The Guarantor must make a return on a yearly basis to the Spanish tax authorities enclosing the following information related to the Notes and the investors:

- The identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, then the identity and country of residence of that third party must be provided too;
- The amount of income received; and
- Identification of the Notes involved.

In addition, the following supporting documentation drafted in Spanish must be obtained in respect of each payment of income evidencing the identity and residence of each Noteholder:

- (a) If the non-resident Noteholder (beneficial owner) acts on its behalf and is a Central Bank, or any other public law institution, an International Organisation, a bank or a credit or financial entity, including Collective Investment Institutions, Pension Funds and Insurance Entities, resident in an OECD country or in a country or territory having a double tax treaty with Spain (including an information exchange clause), the mentioned entity should certify its name and tax residence as is established by Annex I of the Ministerial Order of September 16, 1991 (see Annex I below).
- (b) In the case of transactions in which any of the entities referred to in (a) above acts as an intermediary, it has to certify according to its own records, the name and tax residence of each Noteholder as is established by Annex II of the Ministerial Order of September 16, 1991 (see Annex II below).
- (c) In the case of transactions channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by one of an OECD country, the mentioned entity should, in accordance with the information contained in its own records, certify the name and tax residence of each Noteholder as is established by Annex II of the Order of September 16, 1991 (see Annex II below).
- (d) In other cases, the tax residence should be evidenced by submission of the certificate of tax residence issued by the tax authorities of the country of residence of the Noteholder. These certificates will be valid for one year from the date of issuance and shall be the original ones.

Further, for the purpose of applying the withholding tax exemption for non-resident investors when the specific information required by Section 44 of Spanish Royal Decree 1065/2007 of July 27, 2007 is provided, the following procedure must also be followed:

- On each Interest Payment Date, the Issuer or the Principal Paying Agent on its behalf must transfer the net amount (81 per cent. of the entitled amount) to the entities referred to in the above paragraphs (a), (b) and (c). If the above mentioned supporting documentation has been received on the Interest Payment Date, then the Issuer or the Principal Paying Agent shall gross up the 19 per cent. withheld.
- If a beneficial owner intends to benefit from a withholding tax exemption, the above supporting documentation should be provided to the Principal Paying Agent following the

procedures established in the Agency Agreement. Copies of the Agency Agreement may be obtained as set out under “*General Information*”. The Guarantor and the Issuer may from time to time appoint an agent other than the Principal Paying Agent to intermediate with the European Clearing Systems in the provision of such information. Details of any such appointment and any amended procedures will be set out in the applicable Final Terms.

- If the Principal Paying Agent does not receive complete supporting documentation in respect of a Noteholder by an Interest Payment Date, such holder may obtain a refund of the full amount of withholding tax by ensuring the supporting documentation described above has been received by the Principal Paying Agent no later than 10:00 a.m. (Central European time) on second business day prior to the 10th calendar day of the month following the Interest Payment Date (the **Refund Deadline**).
- Noteholders entitled to a refund but in respect of whom relevant supporting documentation has not been provided to the Principal Paying Agent on or before the Refund Deadline may apply for a full refund of the withholding tax directly to the Spanish tax authorities (by means of the standard refund procedure).

Set out below are Annexes I, II and III. Sections in English have been translated from the original Spanish for information purposes. In the event of any discrepancy, the Spanish version shall prevail.

Annex I
Modelo de certificación en inversiones por cuenta propia
Form of Certificate for Own Account Investments

(nombre) (*name*)

(domicilio)(*address*)

.....

.....

(NIF) (*fiscal ID number*)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.a) del Real Decreto 1065/2007, de 27 de julio,

(function), *in the name and on behalf of the Entity indicated below, for the purposes of Section 44.2.a) Royal decree 1065/2007, of July 27, 2007*

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:
that the name of the Entity I represent is:
2. Que su residencia fiscal es la siguiente:
that its residence for tax purposes is:
3. Que la Entidad que represento está inscrita en el Registro de
that the institution I represent is recorded in the Register of
(pais, estado, ciudad), con el número
(country, state, city), under number
4. Que la Entidad que represento está sometida a la supervisión de (*Organo supervisor*)
that the institution I represent is supervised by..... (Supervision body)
en virtud de (normativa que lo regula)
under (governing rules).

Todo ello en relación con:

All the above in relation to:

Identificación de los valores poseidos por cuenta propia

Identification of securities held on own account:

Importe de los rendimientos

Amount of income.....

Lo que certifico en a de de 20

I certify the above in..... on the..... of of 20.....

Annex II
Modelo de certificación en inversiones por cuenta ajena
Form of Certificate for Third Party Investments

(nombre) (*name*)

(domicilio) (*address*)

.....

.....

(NIF) (fiscal ID number)

(en calidad de) _____, en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2 b) y c) del Real Decreto 1065/2007

(function) _____, in the name and on behalf of the Entity indicated below, for the purposes of Section 44.2 b) y c) Royal Decree 1065/2007, of July 27, 2007

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:
that the name of the Entity I represent is:
2. Que su residencia fiscal es la siguiente:
that its residence for tax purposes is:
3. Que la Entidad que represento está inscrita en el Registro de
that the institution I represent is recorded in the Register of

(pais, estado, ciudad), con el número
(country, state, city), under number
4. Que la Entidad que represento está sometida a la supervisión de (Órgano supervisor)
that the institution I represent is supervised by..... (Supervision body)

en virtud de.....(normativa que lo regula)
under(governing rules).
5. Que, de acuerdo con los registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España.

That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the amounts of the corresponding income is accurate, and does not include person(s) or institution(s) resident either in Spain.

Lo que certifico en a de de 20
I certify the above in on the of of 20

RELACIÓN ADJUNTA A CUMPLIMENTAR:

TO BE ATTACHED:

Identificación de los valores:

Identification of the securities

Listado de titulares:

List of beneficial owners:

Nombre / País de residencia / Importe de los rendimientos

Name / Country of residence / Amount of income

Annex III

Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del Impuesto sobre Sociedades y a los establecimientos permanentes sujetos pasivos del Impuesto sobre la Renta de No Residentes

Certificate for application of the exemption on withholding to Spanish Corporate Income Tax payers and to permanent establishments of non-resident income tax taxpayers

(nombre) (*name*)
(domicilio) (*address*)

(NIF) (*fiscal ID number*)
(en calidad de), en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 59.s) del Real Decreto 1777/2004,

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 59.s) of Royal Decree 1777/2004,

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:
that the name of the Entity I represent is:
2. Que su residencia fiscal es la siguiente:
that its residence for tax purposes is:
3. Que la Entidad que represento está inscrita en el Registro de
that the institution I represent is recorded in the Register of
(pais, estado, ciudad), con el número
(country, state, city), under number
4. Que la Entidad que represento está sometida a la supervisión de (Organo supervisor)
that the institution I represent is supervised by (Supervision body)
en virtud de (normativa que lo regula)
under (governing rules).
5. Que, a través de la Entidad que represento, los titulares incluidos en la relacion adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.
That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax payers and permanent establishment in Spain of Non-Resident Income Tax taxpayers, and are recipients of the referred income.
6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.
That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

Lo que certifico en a de de 20
I certify the above in on the of of 20

RELACION ADJUNTA

TO BE ATTACHED

Identificación de los valores:

Identification of the securities

*Razón social / Domicilio / Número de identificación fiscal / Número de valores / Rendimientos brutos
/ Retención al 19%*

*Name / Domicile / Fiscal Identification Number / Number of securities / Gross income / Amount
withheld at 19%.*

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail for a limited period after the Issue Date. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Under UK laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms (or persons acting on its behalf) and may only continue for a limited period following the Issue Date (or, if the ending day would be earlier, 60 days after the date of allotment) of the relevant Tranche of Notes.

Selling Restrictions

United States

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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

The relevant Dealer has represented and agreed that, it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each relevant Dealer has further agreed that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the relevant Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the **Relevant Implementation Date**, make an offer of Notes to the public, in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstance falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

The relevant Dealer has represented and agreed that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in

acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not if it was not an authorised person, apply to the Issuer or the Guarantor; and
- (c) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the **FIEA**) and the relevant Dealer has represented and agreed that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the **Financial Services Act**) and the relevant implementing CONSOB regulations, as amended from time to time, and in Article 2 of Directive No. 2003/71/EC of November 4, 2003; or
- (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended (**Regulation No. 11971**).

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i)(ii) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the **Banking Act**); and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of the securities in the Republic of Italy; and

- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on solicitation of investments applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

France

Each relevant Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the *Code monétaire et financier*. This Base Prospectus, prepared in connection with the Notes, has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

Spain

Each relevant Dealer has represented and agreed that:

- (e) it has not offered and sold, and will not offer and sell, any Notes, in Spain, unless (i) it is authorised to provide investment services in Spain under the Securities Market Law 24/1988 of July 28 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended (the **Securities Market Law**) and the Royal Decree on Investment Services Companies 217/2008, of February 15 (*Real Decreto 217/2008, de 15 de febrero, sobre el regimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Institutos de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre*) (**Royal Decree 217/2008**), and (ii) it has complied with, and will comply with, all applicable provisions of the Securities Market Law and any other applicable legislation in relation to any offer or sale of the Notes in Spain; and
- (f) it has not offered, and will not offer, Notes to investors located in Spain unless (i) the Notes are represented in book-entry form, and (ii) have been admitted, or will be admitted to trading on a Spanish Official Secondary Market (*Mercado Secundario Oficial*) (as defined in the Securities Market Law).

General

Each relevant Dealer has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

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

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the shareholders' meeting and of the Board of Directors of BSF dated June 21, 2010. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated May 25, 2010.

Issues of Notes under the Programme will be exempted to comply with certain formalities contained in the Spanish Companies Act of 1989, as amended, in accordance with the Article 30 ter of the Securities Market Law (Law 24/1998 of July 28).

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Documents Available

For the period of 12 months following the date of this Base Prospectus, and without prejudice of the obligation of the Issuer and the Guarantor to maintain copies of the Guarantee, Deed of Covenant and Agency Agreement available for inspection pursuant to the Terms and Conditions of the Notes, copies of the following documents will (when published, in the case of (j) and (k) below) be available from the registered office of the Issuer or the Guarantor:

- (a) the constitutional documents of each of the Issuer and the Guarantor;
- (b) The audited annual financial statements of BSF for the financial years ended December 31, 2008 and December 31, 2009 (including the unqualified audit reports issued in respect thereof) prepared in accordance with Spanish generally accepted accounting principles and their English translation filed with the CNMV and made available on their website www.cnmv.es;
- (c) The audited consolidated annual financial statements of the Guarantor for the financial years ended December 31, 2009 and December 31, 2010 (including the unqualified audit reports issued in respect thereof) in Spanish prepared in accordance with EU-IFRS filed with the CNMV. These financial statements, together with their English translations, are available on the Guarantor's website www.bbva.com;
- (d) The Registration Document (*Documento de Registro*) filed by the Guarantor before the CNMV on June 17, 2010;
- (e) The published interim financial statements of the Issuer for the six month period ending June 30, 2010 in Spanish and their English translation filed with the CNMV on December 17, 2010;
- (f) a copy of this Base Prospectus;

- (g) the Agency Agreement, the Guarantee, the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Receipts and the Coupons, the Talons and the Deed of Covenant;
- (h) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (i) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

Euroclear and Clearstream, Luxembourg

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

Iberclear

The Book Entry Notes to be listed into a Spanish regulated market will be accepted for clearance through Iberclear. The appropriate ISIN for each Tranche of Notes allocated by Iberclear will be specified in the applicable Final Terms.

The address of Iberclear is Plaza de la Lealtad, nº 1, 28014 Madrid, Spain.

Additional or alternative clearing systems

If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer since December 31, 2009 and there has been no material adverse change in the prospects of the Guarantor since December 31, 2010.

There has been no significant change in the financial or trading position of the Group since December 31, 2010.

Litigation

Neither the Issuer, the Guarantor nor the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have, or have had, in such period a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

Auditors

The auditors of the BSF are Deloitte, S.L., registered as auditors on the *Registro Oficial de Auditores de cuentas (ROAC)*, N^o S0692, which have audited the Issuer's accounts without qualification which have been prepared in accordance with generally accepted accounting principles and practices in Spain for the financial year ended December 31, 2009 and December 31, 2008.

The auditors of the Guarantor are Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*), which have audited the Guarantor's accounts without qualification, for each of the two financial years ended December 31, 2010 and December 31, 2009 which have been prepared in accordance with EU-IFRS.

Relevant Dealer's transactions with the Issuer and the Guarantor

It is possible that the relevant Dealer appointed in relation to the Notes and their affiliates has engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantor and their affiliates in the ordinary course of business.

SIGNATURES

In witness to their knowledge and approval of the contents of this Base Prospectus of BBVA Senior Finance, S.A. Unipersonal it is hereby signed by representative of BBVA Senior Finance, S.A. Unipersonal and by the representative of Banco Bilbao Vizcaya Argentaria, S.A.

Juan Isusi Garteiz-Gogearcoa (Representative)
For and on behalf of BBVA Senior Finance, S.A. Unipersonal

Pedro M^a Urresti Laca (Deputy Chief Financial Officer)
For and on behalf of Banco Bilbao Vizcaya Argentaria, S.A.

ISSUER

BBVA Senior Finance, S.A. Unipersonal

Gran Vía, 1
48001 Bilbao
Spain

GUARANTOR

Banco Bilbao Vizcaya Argentaria, S.A.

Plaza de San Nicolas, 4
48005 Bilbao
Spain

PRINCIPAL PAYING AGENT, REGISTRAR AND SPANISH PAYING AGENT

Banco Bilbao Vizcaya Argentaria, S.A.

Plaza de San Nicolas, 4
48005 Bilbao
Spain

LEGAL ADVISERS

To the Issuer and the Guarantor (as to English Law)

Allen & Overy

Pedro de Valdivia, 10
28006 Madrid
Spain

AUDITORS

To the Issuer and the Guarantor

Deloitte, S.L.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

CONVERSION TABLE BETWEEN THE FORMS OF REGISTRATION DOCUMENT and SECURITIES NOTE SET OUT IN REGULATION 809/2004 and THE BASE PROSPECTUS SUBMITTED TO CNMV

ANNEX IV

Minimum Disclosure Requirements for the Debt and Derivative Securities Registration Document (schedule)

(Debt and derivative securities with a denomination per unit of less than EUR 50 000)

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>1. PERSONS RESPONSIBLE</p> <p>1.1 All persons responsible for the information given in the Registration Document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.</p> <p>1.2 A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.</p>	<p>Included on page 378, "Signatures", is the page containing the signatories on behalf of BBVA Senior Finance, S.A.Unipersonal and Banco Bilbao Vizcaya Argentaria, S.A.</p> <p>Included on page 334, "<i>Description of BBVA Senior Finance, S.A. Unipersonal-Person Responsible</i>" is the declaration made by the representative of BBVA Senior Finance, S.A.Unipersonal and on page 335 is the declaration made by the representative of BBVA.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>2. STATUTORY AUDITORS</p> <p>2.1 Names and addresses of the issuer’s auditors for the period covered by the historical financial information (together with their membership in a professional body).</p> <p>2.2 If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.</p>	<p>A description of the auditors is included in the section entitled “<i>GENERAL INFORMATION - Auditors</i>” (page 377)</p> <p>2:2: As at the date of this Base Prospectus none of these circumstances occurred.</p>
<p>3. SELECTED FINANCIAL INFORMATION</p> <p>3.1 Selected historical financial information regarding the issuer, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information.</p> <p>The selected historical financial information must provide key figures that summarise the financial condition of the issuer.</p> <p>3.2 If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet data is satisfied by presenting the year end balance sheet information.</p>	<p>Information incorporated by reference, relating to the Issuer and the Guarantor. See section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” on page 69. In particular, see the profit and loss account and the balance sheet included in the audited annual financial statements of the Issuer and the interim financial statements of the Issuer for the six months period ended June 30, 2010.</p>
<p>4. RISK FACTORS</p> <p>Prominent disclosure of risk factors that may affect the issuer’s ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors". Prominent disclosure of risk factors that may affect the issuer’s ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors". Prominent disclosure of risk</p>	<p>See section entitled “Risk Factors” on page 25 onwards. In particular, “<i>Risk Factors relating to the Issuer</i>” and “<i>Risk Factors relating to the Guarantor and the Guarantee</i>”.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
factors that may affect the issuer's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors".	
<p>5. INFORMATION ABOUT THE ISSUER</p> <p>5.1 History and development of the Issuer</p> <p>5.1.1 the legal and commercial name of the issuer;</p> <p>5.1.2 the place of registration of the issuer and its registration number;</p> <p>5.1.3 the date of incorporation and the length of life of the issuer, except where indefinite;</p> <p>5.1.4 the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office);</p> <p>5.1.5 any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.</p> <p>5.2 Investments</p> <p>5.2.1 A description of the principal investments made since the date of the last published financial statements.</p> <p>5.2.2 Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments.</p> <p>5.2.3 Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.</p>	<p>See section entitled “<i>DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL</i>” at page 334 onwards.</p> <p>Not applicable, as there have been no recent events relevant to the evaluation of the solvency of BBVA Senior Finance, S.A.Unipersonal.</p> <p>Not applicable to BBVA Senior Finance, S.A.Unipersonal.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>6. BUSINESS OVERVIEW</p> <p>6.1 Principal activities</p> <p>6.1.1 A description of the issuer’s principal activities stating the main categories of products sold and/or services performed; and</p> <p>6.1.2 an indication of any significant new products and/or activities.</p> <p>6.2 Principal markets</p> <p>A brief description of the principal markets in which the issuer competes.</p> <p>6.3 The basis for any statements made by the issuer regarding its competitive position.</p>	<p>The objective of BBVA Senior Finance, S.A.Unipersonal is the issue of fixed rate shares, as described in the section entitled “<i>DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL</i>” on pages 334 onwards.</p> <p>As at the date of this Base Prospectus none of these circumstances occurred.</p> <p>The main markets are those of the Guarantor. See section entitled “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>” on page 335 onwards.</p>
<p>7. ORGANISATIONAL STRUCTURE</p> <p>7.1 If the issuer is part of a group, a brief description of the group and of the issuer's position within it.</p> <p>7.2 If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.</p>	<p>See section entitled “<i>DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL</i>” on page 334 onwards, with respect to the Guarantor and “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>” on page 335 onwards, with respect to the Guarantor, and see "Documents incorporated by reference" the Registration Document of the Guarantor.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>8. TREND INFORMATION</p> <p>8.1 Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements.</p> <p>In the event that the issuer is unable to make such a statement, provide details of this material adverse change.</p> <p>8.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.</p>	<p>Not applicable, since no important change in the prospects or trends for the current financial year has occurred since the date of its last published audited financial statements.</p> <p>As indicated below, there is an express statement to the effect that if in the future changes occur that affect this section, a supplement to the base prospectus will be produced.</p> <p>As at the date of this Base Prospectus none of these circumstances occurred.</p> <p>See section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” on page 69, which states the following:</p> <p><i>“Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and/or the Guarantor and approved by the CNMV in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.”</i></p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>9. PROFIT FORECASTS OR ESTIMATES</p> <p>If an issuer chooses to include a profit forecast or a profit estimate, the registration document must contain the information items 9.1 and 9.2:</p> <p>9.1 A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.</p> <p>There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.</p> <p>9.2 A report prepared by independent accountants or auditors must be included stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer.</p> <p>9.3 The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.</p>	<p>Not applicable, given that no profit forecasts or profit estimates are included.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>10. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES</p> <p>10.1 Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer:</p> <p style="padding-left: 40px;">a) members of the administrative, management or supervisory bodies;</p> <p style="padding-left: 40px;">b) partners with unlimited liability, in the case of a limited partnership with a share capital.</p> <p>10.2 <u>Administrative, Management, and Supervisory bodies conflicts of interests</u></p> <p>Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.</p>	<p>See section entitled “<i>DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL</i>” at page 334 onwards.</p>
<p>11. BOARD PRACTICES</p> <p>11.1 Details relating to the issuer's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.</p> <p>11.2 A statement as to whether or not the issuer complies with its country's of incorporation</p>	<p>See section entitled “<i>DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL</i>” on page 334 onwards and section entitled “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>” on page 335 and the Registration Document of the Guarantor that is incorporated by reference, as detailed in the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” on page 69.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>corporate governance regime(s). In the event that the issuer does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.</p>	
<p>12. MAJOR SHAREHOLDERS</p> <p>12.1 To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.</p> <p>12.2 A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.</p>	<p>See "Description of BBVA Senior Finance S.A. Unipersonal" share capital page 333.</p> <p>BBVA Senior Finance, S.A. is a wholly-owned subsidiary of BBVA.</p>
<p>13. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES</p> <p>13.1 Historical Financial Information</p> <p>Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.</p>	<p>See the annual accounts of the issuer, filed with the CNMV, that are incorporated by reference, as detailed in the section entitled "<i>DOCUMENTS INCORPORATED BY REFERENCE</i>" on page 69.</p> <p>See the annual accounts of the issuer, filed with the CNMV, that are incorporated by reference, as detailed in the section entitled "<i>DOCUMENTS INCORPORATED BY REFERENCE</i>" on page 69.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>The most recent year's historical financial information must be presented and prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.</p> <p>If the issuer has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under the Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards where the issuer is an issuer from the Community. For third country issuers, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited.</p>	
<p>If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least:</p> <ul style="list-style-type: none"> a) balance sheet; b) income statement c) cash flow statement; and d) accounting policies and explanatory notes. <p>The historical annual financial information must have been independently audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.</p>	<p>See the annual accounts of the issuer, filed with the CNMV, that are incorporated by reference, as detailed in the section entitled "<i>DOCUMENTS INCORPORATED BY REFERENCE</i>" on page 69.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>13.2 Financial statements</p> <p>If the issuer prepares both own and consolidated financial statements, include at least the consolidated financial statements in the registration document.</p> <p>13.3 Auditing of historical annual financial information</p> <p>13.3.1 A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.</p> <p>13.3.2 An indication of other information in the registration document which has been audited by the auditors.</p> <p>13.3.3 Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is un-audited.</p> <p>13.4 Age of latest financial information</p> <p>13.4.1 The last year of audited financial information may not be older than 18 months from the date of the registration document.</p>	<p>See the auditors' report, included in the annual accounts, incorporated by reference in the issuer's annual accounts, as detailed in the section entitled "<i>DOCUMENTS INCORPORATED BY REFERENCE</i>", on page 69.</p> <p>See the annual accounts registered at the CNMV, which are incorporated by reference, as detailed in the section entitled "<i>DOCUMENTS INCORPORATED BY REFERENCE</i>" on page 69.</p> <p>Not applicable</p> <p>The interim financial statements of the Issuer have not been audited.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>13.5 Interim and other financial information</p> <p>13.5.1 If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is un-audited or has not been reviewed state that fact.</p> <p>13.5.2 If the registration document is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is un-audited state that fact.</p> <p>The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.</p> <p>13.6 Legal and arbitration proceedings</p> <p>Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.</p> <p>13.7 Significant change in the issuer's financial or trading position</p> <p>A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.</p>	<p>The published interim financial statements of the Issuer are incorporated by reference, as detailed in the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” on page 69.</p> <p>Refer to the section entitled “<i>Litigation</i>” on page 376.</p> <p>There has been no significant change in the financial or commercial position of the issuer.</p> <p>Note the following statement in the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>”:</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
	<p><i>“The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.”</i></p>
<p>14. ADDITIONAL INFORMATION</p> <p>14.1 Share capital</p> <p>14.1.1 The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.</p> <p>14.2 Memorandum and articles of association.</p> <p>14.2.1 The register and the entry number therein, if applicable, and a description of the issuer’s objects and purposes and where they can be found in the memorandum and articles of association.</p>	<p>See <i>“DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL”</i> on page 334 onwards.</p> <p>See <i>“DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL”</i> on page 334 onwards.</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>15. MATERIAL CONTRACTS</p> <p>A brief summary of all material contracts that are not entered into in the ordinary course of the issuer's business, which could result in any group member being under an obligation or entitlement that is material to the issuer's ability to meet its obligation to security holders in respect of the securities being issued.</p>	<p>See “<i>DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL</i>” on page 334 onwards.</p> <p>Similarly, see in particular the “<i>Condition 3.2- Status of the Guarantee</i> “, on page 134 onwards where the Issuer's principle contract is described; this is BBVA's guarantee.</p>
<p>16. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST</p> <p>16.1 Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Registration Document.</p> <p>16.2 Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the issuer shall identify the source(s) of the information</p>	<p>Not applicable.</p> <p>Not applicable.</p>
<p>17. DOCUMENTS ON DISPLAY</p> <p>A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected:</p> <p>a) the memorandum and articles of association of the issuer;</p>	<p>See “<i>DESCRIPTION OF BBVA SENIOR FINANCE, S.A. UNIPERSONAL</i>” on page 334 onwards, regarding the Issuer.</p> <p>In both this section and the display documents the</p>

SECTION OF ANNEX IV	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document;</p> <p>c) the historical financial information of the issuer or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document.</p> <p>An indication of where the documents on display may be inspected, by physical or electronic means.</p>	<p>addresses of the Issuer and the Guarantor are given. The Registration Document, in which the Guarantor's website is given, is also referred to.</p> <p>Furthermore, the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” indicates:</p> <p><i>“Copies of documents incorporated by reference in this Base Prospectus can be obtained from the Issuer and the Guarantor at Paseo de la Castellana, 81, 28046 Madrid and in its Website www.bbva.com”.</i></p> <p>Finally in the section entitled “<i>GENERAL INFORMATION- Documents Available</i>“, on page 375, a specific section is included with the available information and details of its location.</p>

ANNEX V

Minimum Disclosure Requirements for the Securities Note related to Debt securities (schedule)

(Debt securities with a denomination per unit of less than EUR 50 000)

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>1. PERSONS RESPONSIBLE</p> <p>1.1 All persons responsible for the information given in the prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.</p> <p>1.2 A declaration by those responsible for the prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the prospectus that the information contained in the part of the prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.</p>	<p>See page 378, “Signatures”, which lists the signatories on behalf of BBVA Senior Finance, S.A.Unipersonal and Banco Bilbao Vizcaya Argentaria, S.A.</p> <p>See page 334, “<i>Description of BBVA Senior Finance, S.A. Unipersonal-Person Responsible</i>” for the declaration made by the representative of BBVA Senior Finance, S.A. Unipersonal and page 335 for the declaration made by the representative of BBVA.</p>
<p>2. RISK FACTORS</p> <p>2.1 Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed “Risk Factors”.</p>	<p>See section entitled “<i>RISK FACTORS</i>” on page 25 onwards. See, in particular:</p> <p>“<i>Risk Factors relating to Notes generally</i>” on page 42 onwards.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>3. KEY INFORMATION</p> <p>3.1 Interest of natural and legal persons involved in the issue/offer</p> <p>A description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.</p> <p>3.2 Reasons for the offer and use of proceeds.</p> <p>Reasons for the offer if different from making profit and/or hedging certain risks.</p> <p>Where applicable, disclosure of the estimated total expenses of the issue/offer and the estimated net amount of the proceeds. These expenses and proceeds shall be broken into each principal intended use and presented by order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed.</p>	<p>Refer to the section entitled “<i>GENERAL INFORMATION</i>”, in which information about the people involved in the offer, and their respective roles, is given.</p> <p>See section entitled “<i>USE OF PROCEEDS</i>”, on page 333.</p> <p>In case of any specific reason for an issue, section 5 of Part 5 of the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, described on page 125 onwards, will be completed.</p>
<p>4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING</p>	<p>As this is a Base Prospectus, the details required by this section 4 will be included in each individual Issue of Securities.</p> <p>However, terms common to all issues can be found in the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”, on page 129 onwards, as described in detail below.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
4.1 A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.	Condition 1 of the section entitled “ <i>TERMS AND CONDITIONS OF THE NOTES</i> ” and Part A of the “ <i>FORM OF THE APPLICABLE FINAL TERMS</i> ”
4.2 Legislation under which the securities have been created.	Condition 19 of the section entitled “TERMS AND CONDITIONS OF THE NOTES”.
4.3 An indication of whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.	See the section entitled “ <i>FORM OF THE NOTES</i> ”, on page 75 onwards and Condition 1 of the “ <i>TERMS AND CONDITIONS OF THE NOTES</i> ”, on page 128 onwards. For each specific issue, section 29 of Part A of the “ <i>FORM OF THE APPLICABLE FINAL TERMS</i> ” will be completed.
4.4 Currency of the securities issue.	To be determined in the Final Conditions of each Issue, as indicated in the relevant model in the section entitled “ <i>FORM OF THE APPLICABLE FINAL TERMS</i> ”, on page 81 onwards; specifically in section 3 of Part A.
4.5 Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer.	Condition 3 of the section entitled “ <i>TERMS AND CONDITIONS OF THE NOTES</i> ”

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>4.6 A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.</p>	<p>The rights attached to the securities are included in the section entitled “TERMS AND CONDITIONS OF THE NOTES” on page 128 onwards.</p> <p>Information on the time scale to reclaim the principal payment and the interest is detailed in Clause 10 of the section entitled “TERMS AND CONDITIONS OF THE NOTES”, on page 128 onwards.</p> <p>In each one of the final conditions the rights of each issued security, in relation to the rights attached to them, will be detailed, with respect to any interest they generate (sections 15 to 17 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”). In the sections 18 to 23 of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” the rights that will have structured bonds will be detailed. In the sections 24 to 28 of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” the amortisation rights from the issued securities will be detailed.</p>
<p>4.7 The nominal interest rate and provisions relating to interest payable.</p> <ul style="list-style-type: none"> – The date from which interest becomes payable and the due dates for interest. – The time limit on the validity of claims to interest and repayment of principal. – Where the rate is not fixed, description of the underlying on which it is based and of the method used to relate the two and an indication where information about the past and the further performance of the underlying and its volatility can be obtained. – A description of any market disruption or settlement disruption events that affect the underlying 	<p>To be determined in the corresponding Final Conditions, conforming with that previously seen in the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, on pages 81 onwards, in points 9, 15, 16 or 17 of Part A, as applicable, including a general description in Condition 5 of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<ul style="list-style-type: none"> – Adjustment rules with relation to events concerning the underlying – Name of the calculation agent <p>If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument (s), especially under the circumstances when the risks are most evident.</p> <p>4.8 Maturity date and arrangements for the amortization of the loan, including the repayment procedures. Where advance amortization is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating amortization terms and conditions.</p> <p>4.9 An indication of yield. Describe the method whereby that yield is calculated in summary for.</p> <p>4.10 Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of where the public may have access to the contracts relating to these forms of representation.</p> <p>4.11 In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.</p>	<p>To be determined in the corresponding Final Conditions, conforming with that previously seen in the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, on page 81 onwards, in sections 8, 10, 24 and 28 of Part A, including a generic description in Condition 8 of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”.</p> <p>To be determined in the corresponding Final Conditions, conforming with that previously seen in the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, on page 81 onwards, in particular the sections 6 and 7 of Part B.</p> <p>Condition 16 of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>” and “Syndicate Regulations” of Part A of the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”</p> <p>Reference to the Issuer's agreements will be included in the section entitled “<i>GENERAL INFORMATION</i>”.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
4.12 In the case of new issues, the expected issue date of the securities.	With respect to the Guarantee, it includes reference to the Guarantor's agreements in section 13 of Part A of the " <i>FORM OF THE APPLICABLE FINAL TERMS</i> "
4.13 A description of any restrictions on the free transferability of the securities.	Condition 2 of the section entitled " <i>TERMS AND CONDITIONS OF THE NOTES</i> ".
<p>4.14 In respect of the country of registered office of the issuer and the country(ies) where the offer being made or admission to trading is being sought:</p> <ul style="list-style-type: none"> – Information on taxes on the income from the securities withheld at source; – Indication as to whether the issuer assumes responsibility for the withholding of taxes at the source. 	<p>See</p> <ul style="list-style-type: none"> a) Condition 9 of the section entitled "<i>TERMS AND CONDITIONS OF THE NOTES</i>"; and b) The "<i>TAXATION</i>" section on page 359 onwards
<p>5. TERMS AND CONDITIONS OF THE OFFER</p>	<p>As this is a Base Prospectus, the information contained in this section 5 will be included in each individual Issue of Securities.</p> <p>However, the terms common to all the Issues can be found in the section entitled "<i>FORM OF THE APPLICABLE FINAL TERMS</i>", on page 81 onwards, as detailed in section 5.1 that follows, in case of a public offering.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>5.1 Conditions, offer statistics, expected timetable and action required to apply for the offer</p> <p>5.1.1 Conditions to which the offer is subject.</p> <p>5.1.2 Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer.</p> <p>5.1.3 The time period, including any possible amendments, during which the offer will be open and description of the application process.</p> <p>5.1.4 A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.</p> <p>5.1.5 Details of the minimum and/or maximum amount of application, (whether in number of securities or aggregate amount to invest).</p> <p>5.1.6 Method and time limits for paying up the securities and for delivery of the securities.</p> <p>5.1.7 A full description of the manner and date in which results of the offer are to be made public.</p> <p>5.1.8 The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.</p>	<p>In case of a public offering, point 5 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p> <p>The pricing of each Issue will be included in section 5 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p> <p>In the case of a public offering, sections 39 to 44 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, will be completed as set out in these sections.</p> <p>Likewise, in the case of a public offering sections 5 and 6 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>5.2 Plan of distribution and allotment</p> <p>5.2.1 The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.</p> <p>5.2.2 Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.</p> <p>5.3 Pricing</p> <p>5.3.1 An indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser.</p> <p>5.4 Placing and Underwriting</p> <p>5.4.1 Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.</p>	<p>In the case of a public offering, sections 39 to 44 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, will be completed as set out in these sections.</p> <p>Likewise, in the case of a public offering sections 5 and 6 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p> <p>The pricing of each Issue will be included in section 5 of Part A of “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p> <p>In the case of a public offering, sections 39 to 44 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, will be completed as set out in these sections.</p> <p>Likewise, in the case of a public offering sections 5 and 6 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>5.4.2 Name and address of any paying agents and depository agents in each country.</p> <p>5.4.3 Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under “best efforts” arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission.</p> <p>5.4.4 When the underwriting agreement has been or will be reached.</p>	<p>In the case of a public offering, sections 39 to 44 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, will be completed as set out in these sections.</p> <p>Likewise, in the case of a public offering sections 5 and 6 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p>
<p>6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS</p> <p>6.1 An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved.</p> <p>If known, give the earliest dates on which the securities will be admitted to trading.</p> <p>6.2 All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.</p> <p>6.3 Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.</p>	<p>This information will be contained in section 1 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p> <p>This information will be contained in section 1 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p> <p>This information will be contained in section 39 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p>

SECTION OF ANNEX V	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>7. ADDITIONAL INFORMATION</p> <p>7.1 If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.</p> <p>7.2 An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.</p> <p>7.3 Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Securities Note.</p> <p>7.4 Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.</p> <p>7.5 Credit ratings assigned to an issuer or its debt securities at the request or with the cooperation of the issuer in the rating process. A brief explanation of the meaning of the ratings if this has previously been published by the rating provider.</p>	<p>In addition to the information found in the Registration Document, this information will be included in section 4 of Part B of the "<i>FORM OF THE APPLICABLE FINAL TERMS</i>".</p> <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> <p>To be included, where relevant, in section 2 of Part B of the "<i>FORM OF THE APPLICABLE FINAL TERMS</i>".</p>

ANNEX VI

Minimum Disclosure Requirements for Guarantees

(Additional building block)

SECTION OF ANNEX VI	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>8. NATURE OF THE GUARANTEE</p> <p>A description of any arrangement intended to ensure that any obligation material to the issue will be duly serviced, whether in the form of guarantee, surety, Keep well Agreement, Mono-line Insurance policy or other equivalent commitment (hereafter referred to generically as “guarantees” and their provider as “guarantor” for convenience).</p> <p>Without prejudice to the generality of the foregoing, such arrangements encompass commitments to ensure obligations to repay debt securities and/or the payment of interest and the description shall set out how the arrangement is intended to ensure that the guaranteed payments will be duly serviced.</p>	<p>See the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”; its introductory section (page 129 onwards) as well as the subsection “3. <i>STATUS OF THE NOTES AND THE GUARANTEE</i>”, epigraph “3.2 <i>Status of the Guarantee</i>”, on page 134.</p>
<p>9. SCOPE OF THE GUARANTEE</p> <p>Details shall be disclosed about the terms and conditions and scope of the guarantee. Without prejudice to the generality of the foregoing, these details should cover any conditionality on the application of the guarantee in the event of any default under the terms of the security and the material terms of any Mono-line Insurance or Keep well Agreement between the issuer and the guarantor. Details must also be disclosed of any guarantor’s power of veto in relation to changes to the security holder’s rights, such as is often found in Mono-line Insurance.</p>	<p>See the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”; its introductory section (page 129 onwards) as well as the subsection “3. <i>STATUS OF THE NOTES AND THE GUARANTEE</i>”, epigraph “3.2 <i>Status of the Guarantee</i>”, on page 133.</p> <p>Also see subsection “18.b), “<i>Substitution of the Guarantor</i>” of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”</p>

SECTION OF ANNEX VI	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>10. INFORMATION TO BE DISCLOSED ABOUT THE GUARANTOR</p> <p>The guarantor must disclose information about itself as if it were the issuer of that same type of security that is the subject of the guarantee.</p>	<p>Throughout the Prospectus, the Guarantor is described as if it were the Issuer, highlighting the following sections.</p> <p>Information incorporated by reference, with regard to the Guarantor. See the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” on page 69.</p> <p>With regards to a description of the Guarantor, see “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>”, on pages 335 onwards.</p> <p>With regards to investments, see “<i>Recent Developments</i>” and, in particular, “<i>Acquisition of Compass Bancshares, Inc.</i>” under the section entitled “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>”, on page 336 onwards, as well as the BBVA Document of Registration, incorporated by reference, as indicated in the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” on page 69.</p> <p>With regards to the Business description, see the section entitled “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>”, on page 336 onwards, as well as the BBVA Document of Registration incorporated by reference, as indicated in the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” on page 68.</p>

SECTION OF ANNEX VI	SECTION OR SECTIONS OF THE BASE PROSPECTUS
	<p>With regards to the organisational structure, see the section entitled “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>”, from page 336 onwards.</p> <p>With regards to its administrative advice, see the sections entitled “<i>DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.</i>”, from page 336 onwards, “<i>DIRECTORS AND SENIOR MANAGEMENT</i>” from page 352 onwards and the Guarantor's Document of Registration, incorporated as “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>”, as indicated on page 69.</p> <p>With regards to its annual accounts, see the annual accounts registered at the CNMV, that incorporate themselves by reference, as detailed in the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>”, as indicated on page 69.</p> <p>Finally, it must be highlighted that included on page 378 are the signatory pages, on which the representative of the Guarantor (BBVA) signs, along with the declaration executed by the BBVA representative, also included on page 335.</p>

SECTION OF ANNEX VI	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>11. DOCUMENTS ON DISPLAY</p> <p>Indication of the places where the public may have access to the material contracts and other documents relating to the guarantee.</p>	<p>See the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” in which the documents and the addresses of the Issuer, Guarantor, as well as the references to the Guarantor's Document of Registration, are indicated, and where in turn the Guarantor's website is indicated.</p> <p>In addition, the section entitled “<i>DOCUMENTS INCORPORATED BY REFERENCE</i>” indicates:</p> <p><i>“Copies of documents incorporated by reference in this Base Prospectus can be obtained from the Issuer and the Guarantor at Paseo de la Castellana, 81, 28046 Madrid and in its Website www.bbva.com”.</i></p> <p>Finally the section entitled “<i>GENERAL INFORMATION- Documents Available</i>”, from page 375 onwards, includes the available information and their availability time scales.</p>

ANNEX XII

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SECURITIES NOTE FOR DERIVATIVE SECURITIES

(Schedule)

The following includes details of the additional sections that were described in the latter Annex V

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>12. PERSONS RESPONSIBLE</p> <p>12.1 All persons responsible for the information given in the prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer’s administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.</p> <p>12.2 A declaration by those responsible for the prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.</p>	<p>Included on page 378, “Signatures”, page containing the signatories on behalf of BBVA Senior Finance, S.A.Unipersonal and Banco Bilbao Vizcaya Argentaria, S.A.</p> <p>Included on page 334, “<i>Description of BBVA Senior Finance, S.A. Unipersonal-Person Responsible</i>” is the declaration made by the representative of BBVA Senior Finance, S.A.Unipersonal and on page 335 is the declaration made by the representative of BBVA.</p>
<p>13. RISK FACTORS</p> <p>Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a</p>	<p>See the section entitled “<i>RISK FACTORS</i>” from page 25 onwards, particularly the section entitled “The</p>

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>section headed “risk factors”. This must include a risk warning to the effect that investors may lose the value of their entire investment or part of it, as the case may be, and/or, if the investor’s liability is not limited to the value of his investment, a statement of that fact, together with a description of the circumstances in which such additional liability arises and the likely financial effect.</p>	<p>Notes may not be a suitable investment for all investors”.</p>
<p>14. KEY INFORMATION</p> <p>14.1 Interest of natural and legal persons involved in the issue/offer</p> <p>A description of any interest, including conflicting ones that is material to the issue/offer, detailing the persons involved and the nature of the interest.</p> <p>14.2 Reasons for the offer and use of proceeds.</p> <p>Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks.</p> <p>If reasons for the offer and use of proceeds are disclosed provide the total net proceeds and an estimate of the total expenses of the issue/offer.</p>	<p>Refer to the section entitled “<i>GENERAL INFORMATION</i>”, in which information about the people involved in the offer, and their respective roles, is given.</p> <p>See the section entitled “<i>USE OF PROCEEDS</i>”, on page 333.</p> <p>In case of any specific reason for an issue, section 5 of Part B of the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed</p>
<p>15. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ ADMITTED TO TRADING</p>	<p>As this is a Base Prospectus, the details required by this section 4 will be included in each individual Issue of Securities.</p> <p>However, terms common to all issues can be found in the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”, on page 129 onwards, as described in detail below.</p>

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>15.1 Information concerning the securities</p> <p>15.1.1 A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.</p> <p>15.1.2 A clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument (s), especially under the circumstances when the risks are most evident unless the securities have a denomination per unit of at least EUR 50 000 or can only be acquired for at least EUR 50 000 per security.</p> <p>15.1.3 Legislation under which the securities have been created.</p> <p>15.1.4 An indication whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.</p> <p>15.1.5 Currency of the securities issue.</p>	<p>Condition 1 of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>” on page 128 onwards and Part A of the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”</p> <p>To be detailed in epigraph 9, <i>OPERATIONAL INFORMATION</i>, of Part B of “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, which are included on page 127.</p> <p>Conditions 18 to 23 of the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, where applicable and described in detail throughout the “<i>TERMS AND CONDITIONS OF THE NOTES</i>”</p> <p>Condition 19 of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”.</p> <p>See the section entitled “<i>FORM OF THE NOTES</i>”, on page 75 onwards and Condition 1 of the “<i>TERMS AND CONDITIONS OF THE NOTES</i>”, on page 128 onwards. For each specific issue section 29 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p> <p>To be determined in the Final Conditions of each Issue, as indicated in the relevant model in the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, from page 81 onwards; specifically in section 3 of Part A.</p>

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
15.1.6 Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer	Condition 3 of the section entitled “ <i>TERMS AND CONDITIONS OF THE NOTES</i> ”
15.1.7 A description of the rights, including any limitations of these, attached to the securities and procedure for the exercise of said rights.	To be determined in the Final Conditions of each Issue, in Part A of the section entitled “ <i>FORM OF THE APPLICABLE FINAL TERMS</i> ”, with the general common terms taken from the Conditions of the section entitled “ <i>TERMS AND CONDITIONS OF THE NOTES</i> ”.
15.1.8 In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.	Reference to the Issuer's agreements will be included in the section entitled “ <i>GENERAL INFORMATION</i> ”. With regards to the Guarantee, reference to the Guarantor's agreements is made in section 13 of Part A of the “ <i>FORM OF THE APPLICABLE FINAL TERMS</i> ”
15.1.9 The issue date of the securities.	To be included in section 7 of Part A of the “ <i>FORM OF THE APPLICABLE FINAL TERMS</i> ” of each Issue.
15.1.10 A description of any restrictions on the free transferability of the securities.	Condition 2 of the section entitled “ <i>TERMS AND CONDITIONS OF THE NOTES</i> ”.
15.1.11 – The expiration or maturity date of the derivative securities – The exercise date or final reference date	To be determined in the corresponding Final Conditions, conforming with that previously seen in the section entitled from page 81 onwards, especially in sections 18 a 23 of Part A, including a generic description in Condition 8 of the section entitled “ <i>TERMS AND CONDITIONS OF THE NOTES</i> ”.

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>15.1.12 A description of the settlement procedure of the derivative securities.</p> <p>15.1.13 A description of how any return on derivative securities takes place, the payment or delivery date, and the way it is calculated.</p> <p>15.1.14 In respect of the country of registered office of the issuer and the country(ies) where the offer is being made or admission to trading is being sought:</p> <p style="padding-left: 20px;">a) Information on taxes on the income from the securities withheld at source;</p> <p style="padding-left: 20px;">b) Indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.</p> <p>15.2 Information concerning the underlying</p> <p>15.2.1 The exercise price or the final reference price of the underlying.</p> <p>15.2.2 A statement setting out the type of the underlying and details of where information on the underlying can be obtained</p> <p style="padding-left: 20px;">a) an indication where information about the past and the further performance of the underlying and its volatility can be obtained</p> <p style="padding-left: 20px;">b) where the underlying is a security</p> <p style="padding-left: 40px;">i. the name of the issuer of the security</p>	<p>To be determined in the corresponding Final Conditions, conforming with that previously seen in the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, on page 81 onwards, especially in sections 18 a 23 of Part A, including a generic description in Condition 8 of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”.</p> <p>See:</p> <p style="padding-left: 20px;">a) Condition 9 of the section entitled “<i>TERMS AND CONDITIONS OF THE NOTES</i>”; and</p> <p style="padding-left: 20px;">b) The “<i>TAXATION</i>” section on page 359 onwards</p> <p>The contents of this section will include a detail of that previously seen in section 4.2 of Annex XII of the Regulation 809/2004, as detailed in the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, particularly in sections 18 to 23 of Part A and “<i>TERMS AND CONDITIONS OF THE NOTES</i>”.</p>

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<ul style="list-style-type: none"> ii. el the ISIN (International Security Identification Number) or other such security identification code c) where the underlying is an index <ul style="list-style-type: none"> i. the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained d) where the underlying is an interest rate <ul style="list-style-type: none"> i. a description of the interest rate ii. others <p>Where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.</p> e) where the underlying is a basket of underlyings <ul style="list-style-type: none"> i. disclosure of the relevant weightings of each underlying in the basket <p>15.2.3 A description of any market disruption or settlement disruption events that affect the underlying.</p> <p>15.2.4 Adjustment rules with relation to events concerning the underlying.</p>	

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>16. TERMS AND CONDITIONS OF THE OFFER</p> <p>16.1 Conditions, offer statistics, expected timetable and action required to apply for the offer</p> <p>16.1.1 Conditions to which the offer is subject.</p> <p>16.1.2 Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the amount of the offer.</p> <p>16.1.3 The time period, including any possible amendments, during which the offer will be open and description of the application process.</p> <p>16.1.4 Details of the minimum and/or maximum amount of application, (whether in number of securities or aggregate amount to invest).</p> <p>16.1.5 Method and time limits for paying up the securities and for delivery of the securities.</p>	<p>As this is a Base Prospectus, the details required by section 5 will be included in each individual Issue of Securities.</p> <p>However, terms common to all issues can be found in the section entitled “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, from page 81 onwards, as described in detail below, in the case of a public offering.</p> <p>In the case of a public offering, sections 39 to 44 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, will be completed as set out in these sections.</p> <p>Likewise, in case of a public offering, points 5 and 6 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p> <p>The pricing of each issue will be included in section 5 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p>

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>16.1.6 A full description of the manner and date in which results of the offer are to be made public.</p> <p>16.2 Plan of distribution and allotment</p> <p>16.2.1 The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.</p> <p>16.2.2 Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.</p> <p>16.3 Pricing</p> <p>Indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser.</p> <p>16.4 Placing and Underwriting</p> <p>16.4.1 Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.</p>	<p>In the case of a public offering, sections 39 to 44 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, will be completed as set out in these sections.</p> <p>Likewise, in case of a public offering, points 5 and 6 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p> <p>The pricing of each issue will be included in section 5 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p> <p>In the case of a public offering, sections 39 to 44 of Part A of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”, will be completed as set out in these sections.</p> <p>Likewise, in case of a public offering, points 5 and 6 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>” will be completed.</p>

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>16.4.2 Name and address of any paying agents and depository agents in each country.</p> <p>16.4.3 Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under “best efforts” arrangements. Where not all of the issue is underwritten, a statement of the portion not covered.</p> <p>16.4.4 When the underwriting agreement has been or will be reached.</p> <p>16.4.5 Name and address of a calculation agent.</p>	<p>This information will be contained in the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p>
<p>17. ADMISSION TO TRADING AND DEALING ARRANGEMENTS</p> <p>17.1 An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance shall be mentioned, without creating the impression that the admission to trading necessarily will be approved.</p> <p>If known, the earliest dates on which the securities will be admitted to trading shall be given.</p> <p>17.2 All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.</p> <p>17.3 Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.</p>	<p>This information will be contained in section 1 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p>

SECTION OF ANNEX XII	SECTION OR SECTIONS OF THE BASE PROSPECTUS
<p>18. ADDITIONAL INFORMATION</p> <p>18.1 If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.</p> <p>18.2 An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report</p> <p>18.3 Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such person’s name, business address, qualifications and material interest, if any, in the issuer. If the report has been produced at the issuer’s request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Securities Note.</p> <p>18.4 Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the issuer shall identify the source(s) of the information.</p> <p>18.5 An indication in the prospectus whether or not the issuer intends to provide post-issuance information. Where the issuer 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.</p>	<p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> <p>Not applicable.</p> <p>To be included, when applicable, in section 2 of Part B of the “<i>FORM OF THE APPLICABLE FINAL TERMS</i>”.</p>

In addition to the above, please note that there is a summary of the terms and conditions at the beginning of the Base Prospectus.