



***Santander International Debt, S.A.  
Unipersonal***

*(incorporated with limited liability in Spain)*

and

***Santander Issuances, S.A. Unipersonal***

*(incorporated with limited liability in Spain)*

guaranteed by

***Banco Santander Central Hispano, S.A.***

*(incorporated with limited liability in Spain)*

**€25,000,000,000 Programme for the Issuance of Debt Instruments**

*This document constitutes a base prospectus (the “Base Prospectus”) for the purpose of giving information required by Directive 2003/71/EC (the “Prospectus Directive”) in relation to instruments (the “Instruments”) issued under the above Programme and each of Santander International Debt, S.A. Unipersonal, Santander Issuances, S.A. Unipersonal (each, an “Issuer” and together the “Issuers”) and Banco Santander Central Hispano, S.A. (the “Guarantor”). The Base Prospectus has been approved on 18 November 2005 by the Luxembourg Commission de Surveillance du Secteur Financier (the “CSSF”), which is the Luxembourg competent authority for the purpose of the Prospectus Directive and relevant implementing measures in Luxembourg, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Instruments under the Programme during the period of twelve months after the date hereof. Application has been made for Instruments to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Investment Services Directive 93/22/EEC. The Programme also permits Instruments to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.*

*Arrangers for the Programme*

**BANCO SANTANDER CENTRAL HISPANO, S.A.**

**MORGAN STANLEY**

*Dealers*

**ABN AMRO**

**BANCO SANTANDER DE NEGÓCIOS PORTUGAL**

**COMMERZBANK CORPORATES & MARKETS**

**DEUTSCHE BANK**

**HSBC**

**LEHMAN BROTHERS**

**MORGAN STANLEY**

**THE ROYAL BANK OF SCOTLAND**

**BARCLAYS CAPITAL**

**CITIGROUP**

**CREDIT SUISSE FIRST BOSTON**

**GOLDMAN SACHS INTERNATIONAL**

**JPMORGAN**

**MERRILL LYNCH INTERNATIONAL**

**SG CORPORATE & INVESTMENT BANKING**

**UBS INVESTMENT BANK**

The Base Prospectus should be read and construed together with any supplements thereto and with any other documents incorporated by reference therein and, in relation to any Tranche (as defined herein) of Instruments, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuers and the Guarantor have confirmed to the Dealers that the Base Prospectus (subject to being supplemented by Final Terms (each “**Final Terms**”) referred to herein) contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuers and the Guarantor and of the rights attaching to the relevant Instruments.

Neither the Issuers nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuers, the Guarantor, and the companies whose accounts are consolidated with those of the Guarantor (together, the “**Group**”) or the Instruments other than as contained or incorporated by reference in the Base Prospectus, in the Dealership Agreement (as defined herein), in any other document prepared in connection with the Programme or any Final Terms or as approved for such purpose by either of the Issuers or (where applicable) the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuers, the Guarantor, the Dealers or any of them.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates make any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in the Base Prospectus. Neither the delivery of the Base Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall create, in any circumstances, any implication that there has been no adverse change in the financial situation either of the Issuers or the Guarantor or the Group since the date hereof or, as the case may be, the date upon which the Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Base Prospectus by reference. The distribution of the Base Prospectus and any Final Terms and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus or any Final Terms comes are required by the Issuers, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Instruments, see “The Instruments — paragraph 5.2 (*Plan of Distribution and Allotment*)”. In particular, Instruments have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may include Instruments in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons.

**Neither the Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.**

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

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, 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 INSTRUMENTS (PROVIDED THAT, IN THE CASE OF ANY TRANCHE OF INSTRUMENTS TO BE ADMITTED TO TRADING ON THE LUXEMBOURG STOCK EXCHANGE, THE AGGREGATE PRINCIPAL AMOUNT OF INSTRUMENTS ALLOTTED DOES NOT EXCEED**

**105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS 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 INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS.**

There are certain risks relating to an investment in the Instruments. See “The Issuers — Risk Factors”, “The Guarantor — Risk Factors” and “The Instruments — Risk Factors”.

References herein to “Conditions” are to the Terms and Conditions of the Instruments.

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## SUMMARY

This summary must be read as an introduction to the Base Prospectus. Any decision to invest in any Instruments issued under the Programme should be based on a consideration of the Base Prospectus as a whole, including the documents incorporated by reference, by any investor. No civil liability attaches to the Issuers or the Guarantor (as defined below) in respect of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to information contained in the Base Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

The Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the “CSSF”), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the “Prospectus Directive”) and relevant implementing measures in Luxembourg, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the Instruments during the period of twelve months after the date hereof. Application has been made for Instruments to be admitted to Listing and trading on the regulated market of the Luxembourg Stock Exchange.

### Information relating to the Issuers

Issuer of Senior Instruments: Santander International Debt, S.A. Unipersonal, a wholly-owned subsidiary of the Guarantor, was incorporated by a public deed on 21 April 2004, and registered in the Mercantile Registry of Madrid on 5 May 2004.

Issuer of Subordinated Instruments: Santander Issuances, S.A. Unipersonal, a wholly-owned subsidiary of the Guarantor, was incorporated by a public deed executed on 27 February 2004, and registered in the Mercantile Registry of Madrid on 2 March 2004.

Each of the Issuers was incorporated in Spain as a private limited liability company (*sociedad anónima*) under the *Ley de Sociedades Anónimas* (Spanish companies law) for an unlimited duration.

Business: The exclusive object of Santander International Debt, S.A. Unipersonal is to issue ordinary or senior debt with the guarantee of Banco Santander Central Hispano, S.A.

The exclusive object of Santander Issuances, S.A. Unipersonal is to issue subordinated debt with the guarantee of Banco Santander Central Hispano, S.A.

Registered Office of the Issuers: The registered office address and telephone number of each of the Issuers is Ciudad Grupo Santander, Avenida de Cantabria s/n, Ciudad Grupo Santander, 28660 Boadilla del Monte, Madrid, Spain. Telephone: +34 91 257 20 59.

Auditors: The auditors of each of the Issuers and the Guarantor is Deloitte, S.L. whose address is at Plaza Pablo Ruiz Picasso, 1, 28020 Madrid. The auditors are registered in the official register of auditors under number S-0692. The auditors are members of the *Instituto de Censores Jurados de Cuentas de España*.

Share Capital: The share capital of each of the Issuers is €60,200 divided into 602 ordinary shares with a par value of €100 each. All of the shares of each Issuer are issued and fully paid-up and constitute a single class.

Directors: The directors of each of the Issuers are: José Antonio Soler, Iñigo Barrera Amann and Antonio Torío Martín.

**Information relating to the Guarantor:**

Guarantor: Banco Santander Central Hispano, S.A. (the “**Guarantor**” or the “**Bank**”) is domiciled in Spain and has the legal form of a limited liability company (*sociedad anónima*) and its activities are subject to special Spanish legislation governing credit institutions in general and the supervision, control and regulation of Bank of Spain in particular.

The Bank was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The principal operating headquarters of the Bank is located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 659 75 17.

Business: The Bank and its consolidated subsidiaries (the “**Group**”) are a financial group operating through a network of offices and subsidiaries across Spain, other European countries and Latin America, offering a wide range of financial products.

The Group operates through 4,384 offices in Spain and 5,584 outside of Spain. The Group’s business is divided into the following principal areas: European Retail Banking, Latin American Retail Banking, Asset Management and Private Banking, global wholesale banking and financial management and holdings.

Major Shareholders: The Bank is not aware of any person which exerts or may exert control over the Bank within the terms of Article 4 of *Ley 24/1988, de 28 de julio, del Mercado de Valores* (Law 24/1988 of 28 July of the Securities Market).

Directors of the Guarantor: Emilio Botín Sanz de Sautuola y García de los Rios  
Fernando de Asúa Alvarez  
Alfredo Sáenz Abad  
Matías Rodríguez Inciarte  
Manuel Soto Serrano  
Assicurazioni Generali, S.p.A. (represented by Antoine Bernheim)  
Antonio Basagoiti García-Tuñón  
Ana Patricia Botín-Sanz de Sautuola y O’Shea  
Emilio Botín-Sanz de Sautuola y O’Shea  
F. Javier Botín-Sanz de Sautuola y O’Shea  
Lord Terence Burns  
Guillermo de la Dehesa Romero  
Rodrigo Echenique Gordillo  
Antonio Escámez Torres  
Francisco Luzón López  
Abel Matutes Juan  
Luis Alberto Salazar-Simpson Bos  
Mutua Madrileña Automovilista (represented by Luis Rodríguez)  
Luis Ángel Rojo Duque

Employees: At 31 December 2004, the Group had 127,427 employees (33,353 in Spain and 94,074 worldwide (excluding Spain)).

Auditors: See “Information relating to the Issuers — Auditors” above.

Risk Factors: For a description of certain risks relating to the Guarantor’s ability to fulfil its obligations under the Guarantee, see “The Guarantor 3.1 — (*Risk Factors*)”. Such risks relate to the Group’s operations, including risks relating to Latin America. See also “Description of the Programme — Risk Factors” below.

### **Description of the Programme**

Arrangers: Banco Santander Central Hispano, S.A. and Morgan Stanley & Co. International Limited.

Dealers: ABN AMRO Bank N.V., Banco Santander de Negocios Portugal, S.A., Barclays Bank PLC, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), Merrill Lynch International, Morgan Stanley & Co. International Limited, Société Générale, The Royal Bank of Scotland plc and UBS Limited and any other dealer appointed from time to time by the Issuer(s) and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

Issue and Paying Agent: JPMorgan Chase Bank, N.A., London Branch.

Luxembourg Listing Agent and Paying Agent: J.P.Morgan Bank Luxembourg S.A.

Programme Amount:	Euro 25,000,000,000 in aggregate principal amount of Instruments outstanding at any one time (or its approximate equivalent in any other currency at the date of the agreement to issue any Tranche of Instruments).
Constitution of Instruments:	The Instruments will be constituted by virtue of the relevant public deed of issuance to be executed and registered with the Mercantile Registry of Madrid on or prior to the issue date.
Guarantee:	The Instruments are guaranteed (on an unsubordinated basis in relation to Senior Instruments and on a subordinated basis in relation to Subordinated Instruments) by the Guarantor. For a description of the Guarantee, see “The Instruments — The Guarantees”.
Issuance in Series:	Instruments will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Instruments of each Series will all be subject to identical terms except that the issue dates and the amount of the first payment of interest may be different in respect of different Tranches. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments of different denominations.
Form of Instruments:	Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the Issuer will deliver a temporary global Instrument, which will be deposited on or before the relevant issue date therefor with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Instruments in registered form may not be exchanged for Instruments in bearer form. Each Instrument issued in registered form shall represent the entire holding of Registered Instruments by the same holder. A Registered Instrument may be registered in the name of a nominee for one or more clearing system.
Currencies:	Instruments may be denominated in any currency or currencies subject to compliance with all applicable legal and/or regulatory requirements and/or central bank requirements. Payments in respect of Instruments may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated.
Status of Instruments and the Guarantee:	Senior Instruments and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of Santander International and the Guarantor, respectively, and Subordinated Instruments and the guarantee in respect of them will constitute subordinated and unsecured obligations of Santander Issuances and the Guarantor, respectively, all as described in “The Instruments — Terms and Conditions of the Instruments — Status of the Instruments and the Guarantee”.

Issue Price:	Instruments may be issued at par or at a discount to par or a premium over par and on a fully paid basis, as specified in the relevant Final Terms. The issue price and the principal amount of the relevant tranche of Instruments will be determined before filing of the relevant Final Terms of each tranche on the basis of then prevailing market conditions.
Maturities:	<p>Instruments may be issued with any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subordinated Instruments qualifying as regulatory capital (<i>recursos propios</i>) in accordance with <i>Banco de España</i> requirements will have a maturity of not less than five years from their date of issue or as otherwise permitted by <i>Banco de España</i>.</p> <p>Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.</p>
Redemption:	Instruments may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements.
Early Redemption:	<p>Early redemption will be permitted for taxation reasons as mentioned in “The Instruments — Terms and Conditions of the Instruments — Early Redemption for Taxation Reasons”, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms.</p> <p>Any early redemption of Subordinated Instruments qualifying as regulatory capital (<i>recursos propios</i>) is subject to the prior consent of <i>Banco de España</i> and may not take place within a period of five years from their date of issue or as otherwise permitted by <i>Banco de España</i>.</p>
Index-linked Instruments:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of index-linked Instruments will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms).

**Interest:** Instruments may be interest-bearing or non-interest bearing. Interest (if any), may accrue at a fixed or floating rate or other variable rate and may vary during the lifetime of the relevant Series.

**Denominations:** Save as set out below, instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to a minimum denomination of €1,000 (or, if the Instruments are denominated in a currency other than Euro, the equivalent in another currency at the date of issue), and as specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

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

Neither the relevant Issuer nor the Guarantor shall be required to pay any such additional amounts as referred to above in relation to any payment in respect of any Instrument or Coupon in the circumstances described in Condition 8.02 of the Terms and Conditions of the Instruments. In particular, prospective holders of Instruments should note that no such additional amounts are payable to holders of Instruments in respect of whom the relevant Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such holder's identity and tax residence as it may require in order to comply with Law 19/2003 of 4 July and any implementing legislation (see Condition 8.02(ii) of the Terms and Conditions of the Instruments) or to, or to the third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain or a resident in a tax haven (see Condition 8.02(vi) of the Terms and Conditions of the Instruments).

**Disclosure of identity of holders:** Under Spanish Law 13/1985 the Guarantor is obliged to disclose to the Spanish tax and financial supervisory authorities certain information in relation to the identity and residence of the holders of Instruments. For a description of certain agreed procedures in relation to the collection of such details, see "The Instruments — Taxation and Disclosure of Noteholder information in connection with interest payments". See also "The Instruments — Risk Factors — Risks Relating to Procedures for Collection of Holders' Details".



Governing Law:	The issue of the Instruments, including their legal nature ( <i>obligaciones</i> ) the status of the Instruments and the status of the guarantee in respect of them, the capacity of the Issuers, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law. The terms and conditions of the Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law.
Listing:	Each Series may be listed and traded on the regulated market of the Luxembourg Stock Exchange and/or any other listing authority, stock exchange and/or quotation system (each, a “ <b>Stock Exchange</b> ”) (as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer and specified in the relevant Final Terms) or may be unlisted. Under Spanish law, unlisted Instruments are subject to a different tax regime than that applicable to listed Instruments and, if issued under the Programme, such Instruments will be the subject of a supplement to the Base Prospectus.
Terms and Conditions:	Final Terms will be prepared in respect of each Tranche of Instruments, a copy of which, in the case of Instruments to be listed on any Stock Exchange will be delivered to each relevant Stock Exchange in accordance with the rules and regulations of each relevant Stock Exchange. The terms and conditions applicable to each Tranche will be those set out under “The Instruments — Terms and Conditions of the Instruments” as supplemented, modified or replaced by the relevant Final Terms.
Negative Pledge:	Applicable to Senior Instruments only. See “The Instruments — Terms and Conditions of the Instruments — Negative Pledge”.
Cross Default:	Applicable to Senior Instruments only. See “The Instruments — Terms and Conditions of the Instruments — Events of Default — Cross Default”.
Enforcement of Instruments in Global Form:	In the case of Instruments in global form, individual investors’ rights will be governed by a Deed of Covenant dated 17 November 2005.
Clearing Systems:	Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Instruments see “The Instruments — 5.2 ( <i>Plan of distribution and allotment</i> )”. Further restrictions may be specified in the documentation relating to a particular Tranche.
Rule 144A:	Offers and sales in accordance with Rule 144A under the United States Securities Act of 1933 (as amended) will be permitted, if specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements of the United States of America.

Risk Factors:

For a description of certain risks involved in investing in the Instruments, see “The Instruments — Risk Factors”. These risks relate to withholding taxes, procedures for the collection of holders’ details, the *Comisario*, the fact that there is no active trading market for the Instruments and that the Instruments may be redeemed prior to maturity. See also “Information relating to the Guarantor — Risk Factors” above.

Representation of holders of the Instruments:

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

## THE ISSUERS

### 1 PERSONS RESPONSIBLE

- 1.1 *All persons responsible for the information given in the Base Prospectus relating to the Issuers 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.*

Each of Santanter International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal (the "Issuers") accept responsibility for the information contained in this Base Prospectus relating to the Issuers.

- 1.2 *A declaration by those responsible for the base prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the base prospectus relating to the Issuers 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 base prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the base prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

Each of Santanter International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to the Issuers is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

### 2 STATUTORY AUDITORS

- 2.1 *Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).*

The auditors of each of the Issuers are Deloitte, S.L. (registered in the official registry of auditors of accounts (*registro oficial de auditores de cuentas*)). Deloitte S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*. The address of Deloitte, S.L. is Plaza Pablo Ruiz Picasso, No.1, 28020 Madrid, Spain.

- 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.*

Auditors have not resigned, been removed or re-appointed during the period covered by the historical financial information contained herein.

### 3 SELECTED FINANCIAL INFORMATION

- 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. The selected historical financial information must provide key figures that summarise the financial condition of the issuer.*

Please refer to the abbreviated financial statements contained at paragraph 13.

- 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.*

Please refer to the abbreviated financial statements contained at paragraph 13.

### 4 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" contained in the Prospectus.*

Please refer to paragraph 3 (*Risk Factors*) of the information relating to the Guarantor below. No other risk factors apply to the Issuer. See also "The Instruments - 2. Risk Factors"

## 5 INFORMATION ABOUT THE ISSUER

### 5.1 *History and development of the Issuer:*

#### 5.1.1 *the legal and commercial name of the issuer;*

The names of the Issuers are Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal.

#### 5.1.2 *the place of registration of the issuer and its registration number;*

Santander International Debt, S.A. Unipersonal was registered with the Mercantile Registry of Madrid on 5 May 2004 at Volume 19529, Folio 135, Section 8, page number M-342989.

Santander Issuances, S.A. Unipersonal was registered with the Mercantile Registry of Madrid on 2 March 2004 at Volume 19747, Folio 181, page number M-347561.

#### 5.1.3 *the date of incorporation and the length of life of the issuer, except where indefinite;*

Santander International Debt, S.A. Unipersonal was incorporated pursuant to a public deed executed on 21 April 2004 for an unlimited duration.

Santander Issuances, S.A. Unipersonal was incorporated pursuant to a public deed executed on 27 February 2004 for an unlimited duration.

#### 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);*

The registered office address and telephone number of each of the Issuers is Ciudad Grupo Santander, Avenida de Cantabria s/n, Ciudad Grupo Santander, 28660 Boadilla del Monte, Madrid, Spain. Telephone: +34 91 257 20 59. Each of the Issuers was incorporated in Spain as a private limited liability company (*sociedad anónima*) under the *Ley de Sociedades Anónimas* (Spanish companies law).

#### 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.*

There are no such recent events.

### 5.2 *Investments*

#### 5.2.1 *A description of the principal investments made since the date of the last published financial statements.*

No investments made since the date of the last published financial statements.

#### 5.2.2 *Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments.*

No commitments regarding future investments have been made.

#### 5.2.3 *Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.*

Not applicable.

## 6 BUSINESS OVERVIEW

### 6.1 *Principal activities:*

#### 6.1.1 *A description of the issuer's principal activities stating the main categories of products sold and/or services performed; and*

Each of the Issuers is a special purpose financing vehicle for Banco Santander Central Hispano, S.A.

6.1.2 *an indication of any significant new products and/or activities.*

There are no such new products and/or activities.

6.2 *Principal markets: A brief description of the principal markets in which the issuer competes.*

Not applicable.

6.3 *The basis for any statements made by the issuer regarding its competitive position.*

There are no such statements included.

## 7 ORGANISATIONAL STRUCTURE

7.1 *If the issuer is part of a group, a brief description of the group and of the issuer's position within it.*

Each of the Issuers is a wholly owned subsidiary of Banco Santander Central Hispano, S.A.

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.*

See paragraph 7.1 above.

## 8 TREND INFORMATION

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.*

*In the event that the issuer is unable to make such a statement, provide details of this material adverse change.*

There has been no material adverse change in the prospects of each of the Issuers since 31 December 2004.

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.*

Not applicable.

## 9 PROFIT FORECASTS OR ESTIMATES

9 *If an issuer chooses to include a profit forecast or a profit estimate, the base prospectus must contain the information items 9.1 and 9.2:*

Not applicable.

9.1 *A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.*

*There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; 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.*

Not applicable.

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.*

Not applicable.

- 9.3 *The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.*

Not applicable.

## 10 ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

- 10.1 *Names, business addresses and functions in the 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:*

- (a) *members of the administrative, management or supervisory bodies;*  
 (b) *partners with unlimited liability, in the case of a limited partnership with a share capital.*

*The name, business address, position and other position in the Group of each of the members of the Board of Directors of each of the issuers is as follows:*

Name	Business Address	Position	Other position in the Group
José Antonio Soler	Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Chairman	Senior Vice-president of the Guarantor
Iñigo Barrera Amann	Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	Vice-president of the Guarantor
Antonio Torío Martín	Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	Vice-president of the Guarantor

- 10.2 *Administrative, Management, and Supervisory bodies conflicts of interests: Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.*

There are no such conflicts of interest.

## 11 BOARD PRACTICES

- 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.*

The Issuers do not have an audit committee.

- 11.2 *A statement as to whether or not the issuer complies with its country's of incorporation 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.*

The Issuers is a special purpose company and is not subject to any corporate governance regime. However, the Group (of which the Issuers form part) complies with the applicable Spanish corporate governance regime.



12 **MAJOR SHAREHOLDERS**

- 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.*

Each of the Issuers is a wholly owned subsidiary of the Guarantor.

- 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.*

There are no such arrangements.

13 **FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

- 13.1 *Historical Financial Information: 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.*

*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.*

*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.*

*If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least:*

- (a) *balance sheet;*
- (b) *income statement;*
- (c) *cash flow statement; and*
- (d) *accounting policies and explanatory notes.*

*The historical annual financial information must have been independently audited or reported on as to whether or not, for the purposes of the base prospectus, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.*

Pursuant to Articles 181 and 190 of the *Ley de Sociedades Anónimas* (Spanish Corporations Law) the Issuers may prepare abridged financial statements. Such audited abridged financial statements for the respective dates of incorporation of each Issuer to 31 December 2004 and the auditors reports thereon are set out below. The Issuers have not prepared any other (detailed) financial statements.

In addition, the auditor's assurance report on additional disclosures and the cash-flow statements referred to therein in respect of each Issuer are set out below.

**SANTANDER ISSUANCES, S.A.**  
**(Sole-Shareholder Company)**

Abridged Financial Statements for the Period  
from February 27, 2004 (the Date of Incorporation)  
to December 31, 2004,  
together with the Auditors' Report

**SANTANDER ISSUANCES, S.A. (SOLE-SHAREHOLDER COMPANY)**  
**ABRIDGED BALANCE SHEET AS OF DECEMBER 31, 2004 (NOTES 1, 2, 3 and 4)**  
(Euros)

ASSETS	December 31, 2004	SHAREHOLDER'S EQUITY AND LIABILITIES	December 31, 2004
<b>NONCURRENT ASSETS:</b>		<b>SHAREHOLDER'S EQUITY:</b>	
Start-up expenses (Note 5)	1,745	Capital stock (Note 9)	60,200
Long-term investments (Note 6)	996,035,000	Income for the period	46,000
<b>Total noncurrent assets</b>	<b>996,036,745</b>	<b>Total shareholder's equity</b>	<b>106,200</b>
		<b>LONG-TERM DEBT:</b>	
		Debt securities and other similar issues (Note 10)	1,000,000,000
		<b>Total long-term debt</b>	<b>1,000,000,000</b>
<b>DEFERRED CHARGES (Note 7)</b>	<b>3,207,373</b>	<b>PROVISIONS FOR CONTINGENCIES AND EXPENSES:</b>	
		Provision for taxes (Note 11)	24,770
		<b>Total provisions for contingencies and expenses</b>	<b>24,770</b>
<b>CURRENT ASSETS:</b>		<b>CURRENT LIABILITIES:</b>	
Cash (Note 8)	6,522,875	Taxes payable	11,384
Accrual accounts (Note 6)	194,630	Accrual accounts (Note 10)	5,800,349
		Other nontrade payables	18,920
<b>Total current assets</b>	<b>6,717,505</b>	<b>Total current liabilities</b>	<b>5,830,653</b>
<b>TOTAL ASSETS</b>	<b>1,005,961,623</b>	<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>1,005,961,623</b>

The accompanying Notes 1 to 14 are an integral part of the abridged balance sheet as of December 31, 2004.

**SANTANDER ISSUANCES, S.A. (SOLE-SHAREHOLDER COMPANY)**  
**ABRIDGED STATEMENT OF INCOME**  
**FOR THE PERIOD FROM FEBRUARY 27, 2004 (THE DATE OF INCORPORATION)**  
**TO DECEMBER 31, 2004 (NOTES 1, 2, 3 AND 4)**  
(Euros)

DEBIT	Period from 02/27/04 to 12/31/04	CREDIT	Period from 02/27/04 to 12/31/04
<b>EXPENSES:</b>		<b>REVENUES:</b>	
Outside services (Note 12)	19,237		
Start-up expense amortization expense (Note 5)	308		
	19,545		
<b>Operating income</b>	—	<b>Operating loss</b>	<b>19,545</b>
Financial and similar expenses — On other debts (Note 10)	8,790,710	Financial revenues (Note 6)	8,991,906
Other financial expenses (Note 7)	110,881		
<b>Financial income</b>	<b>90,315</b>	<b>Financial loss</b>	—
<b>Income from ordinary activities</b>	<b>70,770</b>	<b>Loss on ordinary activities</b>	—
<b>Extraordinary income</b>	—	<b>Extraordinary loss</b>	—
<b>Income before taxes</b>	<b>70,770</b>	<b>Loss before taxes</b>	—
Corporate income tax (Note 11)	(24,770)		
<b>Income for the period</b>	<b>46,000</b>	<b>Loss for the period</b>	—

The accompanying Notes 1 to 14 are an integral part of the abridged statement of income for the period from February 27 to December 31, 2004.

*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.*

## **AUDITORS' REPORT ON ABRIDGED FINANCIAL STATEMENTS**

To the Sole Shareholder of  
Santander Issuances, S.A. (Sole-Shareholder Company):

We have audited the abridged financial statements of SANTANDER ISSUANCES, S.A. (Sole-Shareholder Company) — “the Company”— comprising the abridged balance sheet as of December 31, 2004, and the related abridged statement of income and notes to abridged financial statements for the period from February 27, 2004 (the date of incorporation) to December 31, 2004. The preparation and content of these abridged financial statements are the responsibility of the Company’s directors. Our responsibility is to express an opinion on the abridged financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the abridged financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.

In our opinion, the abridged financial statements for the period from February 27 to December 31, 2004, referred to above present, in all material respects, a true and fair view of the net worth and financial position of Santander Issuances, S.A. (Sole-Shareholder Company) as of December 31, 2004, and of the results of its operations in the aforementioned period, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards.

DELOITTE

Registered in ROAC under no. S0692

Germán de la Fuente

April 1, 2005

Deloitte S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

**SANTANDER ISSUANCES, S.A.**  
**(Sole-Shareholder Company)**

Abridged Financial Statements for the Period  
from February 27, 2004 (the Date of Incorporation)  
to December 31, 2004



*Translation of abridged financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (Note 14). In the event of a discrepancy, the Spanish-language version prevails. The issuer confirms that the abridged financial statements have been correctly translated.*

## **Santander Issuances, S.A. (Sole-Shareholder Company)**

Notes to Abridged Financial Statements  
for the Period from February 27, 2004  
(the Date of Incorporation)  
to December 31, 2004

### **1. Company description**

Santander Issuances, S.A. (Sole-Shareholder Company) — “the Company” —, a corporation forming part of the Santander Group — the “Group” (Note 9) —, was incorporated for an indefinite period of time on February 27, 2004.

The Company’s registered office is located at Ciudad Grupo Santander, Avenida de Cantabria, s/n, Boadilla del Monte.

Its sole corporate purpose is to issue subordinated debt secured by Banco Santander Central Hispano, S.A. (Note 10).

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to abridged financial statements.

### **2. Basis of presentation of the abridged financial statements**

#### ***a) True and fair view***

The abridged financial statements for the period from February 27 to December 31, 2004, which were prepared by the Company’s directors in accordance with the revised Corporations Law, are presented in the formats established by Royal Decree 1643/1990 approving the Spanish National Chart of Accounts and, accordingly, give a true and fair view of the Company’s net worth, financial position and results of operations for the period.

The abridged financial statements have not yet been approved by the Sole Shareholder. However, the Company’s Board of Directors considers that they will be approved without any changes.

#### ***b) Accounting policies and valuation standards***

The abridged financial statements were prepared by applying the accounting principles and valuation standards described in Note 3. All obligatory accounting principles and valuation standards with a material effect on the abridged financial statements were applied in their preparation.

### **3. Accounting principles and valuation standards applied**

The main accounting principles and valuation standards applied in preparing the abridged financial statements were as follows:

#### ***a) Incorporation and preopening expenses***

Start-up expenses are recorded at cost, net of the related accumulated amortization. They are amortized on a straight-line basis over five years.

**b) Debt securities and other similar issues**

The subordinated debt issues launched by the Company, which are secured by Banco Santander Central Hispano, S.A. (Note 10), are recorded at their redemption value.

**c) Deferred charges**

Debt arrangement expenses are recorded at cost and are charged to income systematically over a maximum period ending on the date on which the debt can be repaid in full.

Deferred interest expenses are recorded for the difference between the redemption value and the amount received on issuing the related debt securities and are charged to income systematically over a maximum period ending on the date on which the debt can be repaid in full.

**d) Recognition of revenues and expenses**

Revenues and expenses are generally recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

**d) Corporate income tax**

As permitted by current legislation, the Company files consolidated corporate income tax returns as part of Consolidated Group 17/89, the parent company of which is Banco Santander Central Hispano, S.A. (Note 11).

The expense for corporate income tax of the period is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, which are taken to be the differences between taxable income and income per books before taxes which do not reverse in subsequent periods. This expense is recorded under the "Corporate Income Tax" caption in the abridged statement of income.

**e) Classification of receivables and payables**

The various items in the accompanying abridged balance sheet are classified as current assets and current liabilities when they mature at less than twelve months from year-end. Receivables and payables maturing at over twelve months are recorded as long-term items.

**4. Distribution of income**

The proposed distribution of the income for the period from February 27 to December 31, 2004, that the Board of Directors will submit for approval by the Sole Shareholder is as follows:

	Euros
Net income for the period	<b>46,000</b>
<b>Distribution to:</b>	
Legal reserve	4,600
Voluntary reserve	41,400
<b>Total</b>	<b>46,000</b>

## 5. Start-up expenses

The detail of the balance of this caption in the accompanying abridged balance sheet and of the variation therein is as follows:

	Euros		
	Additions	Amortization Expense	Balance at Period-End
Incorporation expenses	2,053	308	1,745
<b>Total</b>	<b>2,053</b>	<b>308</b>	<b>1,745</b>

## 6. Long-term investments

The detail of the balance of this caption in the accompanying abridged balance sheet as of December 31, 2004, is as follows:

	Currency	Interest Rate	Maturity Date	Amount (Euros)
Time deposits at:				
Banco Santander Central Hispano, S.A.(*)	Euros	Floating	09/30/19	497,250,000
Banco Santander Central Hispano, S.A.(*)	Euros	Floating	09/30/14	498,785,000
				<b>996,035,000</b>

During the reporting period the Company arranged time deposits at Banco Santander Central Hispano, S.A. in order to finance the payment of interest on the subordinated debt issue.

The interest earned on these time deposits in the period from February 27 to December 31, 2004, which amounted to €8,991,906, is recorded under the “Financial Revenues” caption in the accompanying abridged statement of income. As of December 31, 2004, €194,630 of this interest had not yet been collected, and this amount is recorded under the “Accrual Accounts” caption in the accompanying abridged balance sheet. The average annual interest earned during the period was 3.61%.

## 7. Deferred charges

The detail of the balance of this caption in the accompanying abridged balance sheet is as follows:

	Euros
Debt arrangement expenses	335,395
Deferred interest expenses on marketable securities (Note 10)	2,871,978
<b>Total</b>	<b>3,207,373</b>

The financial expenses incurred in this connection in the period from February 27 to December 31, 2004, totaled €110,881, and this amount is recorded under the “Financial and Similar Expenses — Other Financial Expenses” caption in the accompanying abridged statement of income.

## 8. Cash

The amount recorded under this caption in the accompanying abridged balance sheet as of December 31, 2004, relates in full to the balance of a demand deposit held by the Company at Banco Santander Central Hispano, S.A. (Note 9). This demand deposit, which is denominated in euros, did not earn any interest in the period from February 27 to December 31, 2004.

## 9. Capital stock

The Company's capital stock as of December 31, 2004, consisted of 602 fully subscribed and paid common registered shares (of a single series) of €100 par value each. All of the shares are owned by Banco Santander Central Hispano, S.A. and, consequently, in accordance with Law 2/1995, the Company is a sole-shareholder corporation.

## 10. Debt securities and other similar issues

The balance of this caption includes the various subordinated debt issues launched by the Company and secured by Banco Santander Central Hispano, S.A. (Note 9), which for debt seniority purposes rank below general creditors, the detail being as follows:

	Currency	Interest	Issue Date	Maturity Date	Amount (Euros)
Subordinated debt:					
Series 1 (*)	Euros	Floating	09/30/2004	09/30/2019	500,000,000
Series 2 (*)	Euros	Floating	09/30/2004	09/30/2014	500,000,000
					<b>1,000,000,000</b>

(\*) Debt securities listed on the Luxembourg Stock Exchange.

Each of the series is composed of 5,000 book-entry debentures with a unit value of €100,000 and the joint and several guarantee of Banco Santander Central Hispano, S.A. As of December 31, 2004, these issues had been subscribed and paid in full.

The main features of each series are as follows:

Series 1: 5,000 securities of €100,000 par value each, with an issue value of 99.55%. Debenture holders are entitled to receive an annual return of 4.5% for the first ten years, payable on September 30 each year. The interest rate for the remaining five years is 3-month Euribor plus 0.86%, payable quarterly. At the discretion of the issuer, the debentures can be redeemed in full, with the prior authorization of the Bank of Spain, on or after September 30, 2014.

Series 2: 5,000 securities of €100,000 par value each, with an issue value of 99.857%. Debenture holders are entitled to receive a return of 3-month Euribor plus 0.25%, payable quarterly, for the first five years. The interest rate for the remaining five years is 3-month Euribor plus 0.75%, payable quarterly. At the discretion of the issuer, the debentures can be redeemed in full, with the prior authorization of the Bank of Spain, on or after September 30, 2009.

The difference between the issue value and the redemption value of the two series is recorded under the "Deferred Charges" caption, net of the amount of interest accrued in the period from February 27 to December 31, 2004, which was recorded under the "Financial and Similar Expenses — Other Financial Expenses" caption in the accompanying abridged statement of income (Note 7).

In the period from February 27 to December 31, 2004, this subordinated debt issue bore interest of €8,790,710, which is recorded under the "Financial and Similar Expenses — On Other Debts" caption in the accompanying abridged statement of income. As of December 31, 2004, €5,800,349 of this interest had not been paid, and this amount was recorded under the "Accrual Accounts" caption on the liability side of the accompanying abridged balance sheet. The subordinated debt issue bore average annual interest of 3.52% in the aforementioned period.

## 11. Tax matters

The Company is included in the Consolidated Tax Group headed by Banco Santander Central Hispano, S.A.

As of December 31, 2004, the income before taxes per books was the same as the taxable income for corporate income tax purposes.

As of December 31, 2004, the Company had recorded €24,770 in this connection under the “Provision for Taxes” caption in the accompanying abridged balance sheet.

**12. Outside services**

The balance of the “Outside Services” caption in the accompanying abridged statement of income includes €18,920 relating to the fees paid by the Company to its auditor for the audit of the period from February 27 to December 31, 2004. Also, in the aforementioned period the Company paid its auditor €24,840 for other services required under current legislation.

**13. Other disclosures**

Since the Company does not have any employees and is managed directly by its directors, it did not record any employee welfare expenses in the period.

The Company’s directors did not receive any compensation, salaries or attendance fees of any kind in the period from February 27 to December 31, 2004.

As of December 31, 2004, the Company had not granted any advances or loans to the former or current members of the Board, and it did not have any pension, life insurance or guarantee commitments to them.

Pursuant to Article 127 ter.4 of the Spanish Corporations Law, introduced by Law 26/2003, which amends Securities Market Law 24/1988, and the revised Spanish Corporations Law, in order to reinforce the transparency of listed corporations, the members of the managing body hereby state that they do not own any equity interests in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the corporate purpose of Santander Issuances, S.A. (Sole-Shareholder Company).

Also, pursuant to the aforementioned Law, they hereby state that they do not perform, as independent professionals or as employees, any activities at non-Santander Group companies that are identical, similar or complementary to the activity that constitutes the corporate purpose of Santander Issuances, S.A. (Sole-Shareholder Company).

**14. Explanation added for translation to English**

These abridged financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

**SANTANDER INTERNATIONAL DEBT, S.A.**  
**(Sole-Shareholder Company)**

Abridged Financial Statements for the Period  
from April 21, 2004 (the Date of Incorporation)  
to December 31, 2004, together with the Auditors' Report

**SANTANDER INTERNATIONAL DEBT, S.A. (SOLE-SHAREHOLDER COMPANY)**

**ABRIDGED BALANCE SHEET AS OF DECEMBER 31, 2004 (NOTES 1, 2, 3 and 4)**

(Euros)

ASSETS	December 31, 2004	SHAREHOLDER'S EQUITY AND LIABILITIES	December 31, 2004
<b>NONCURRENT ASSETS:</b>		<b>SHAREHOLDER'S EQUITY:</b>	
Start-up expenses (Note 5)	1,770	Capital stock (Note 9)	60,200
Long-term investments (Note 6)	3,890,559,539	Loss for the period	(26,239)
<b>Total noncurrent assets</b>	<b>3,890,561,309</b>	<b>Total shareholder's equity</b>	<b>33,961</b>
<b>DEFERRED CHARGES (Note 7)</b>	<b>536,918</b>	<b>DEFERRED REVENUES</b>	<b>11,217</b>
		<b>LONG-TERM DEBT:</b>	
		Debt securities and other similar issues (Note 10)	3,891,292,807
		<b>Total long-term debt</b>	<b>3,891,292,807</b>
<b>CURRENT ASSETS:</b>		<b>CURRENT LIABILITIES:</b>	
Cash (Note 8)	262,722	Taxes payable	4,507
Accrual accounts (Note 6)	4,106,219	Accrual accounts (Notes 10 and 12)	4,124,676
<b>Total current assets</b>	<b>4,368,941</b>	<b>Total current liabilities</b>	<b>4,129,183</b>
<b>TOTAL ASSETS</b>	<b>3,895,467,168</b>	<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>3,895,467,168</b>

The accompanying Notes 1 to 15 are an integral part of the abridged balance sheet as of December 31, 2004.

**SANTANDER INTERNATIONAL DEBT, S.A. (SOLE-SHAREHOLDER COMPANY)**

**ABRIDGED STATEMENT OF OPERATIONS**  
**FOR THE PERIOD FROM APRIL 21, 2004 (THE DATE OF INCORPORATION)**  
**TO DECEMBER 31, 2004 (NOTES 1, 2, 3 AND 4)**

(Euros)

DEBIT	Period from April 21 to December 31, 2004	CREDIT	Period from April 21 to December 31, 2004
<b>EXPENSES:</b>		<b>REVENUES:</b>	
Outside services (Note 12)	30,036		
Start-up expense amortization expense (Note 5)	234		
<b>Operating income</b>	—	<b>Operating loss</b>	<b>30,270</b>
Financial and similar expenses —		Financial revenues (Note 6)	4,106,219
On other debts (Note 10)	4,094,957		
Other financial expenses (Note 7)	7,231		
<b>Financial income</b>	<b>4,031</b>	<b>Financial loss</b>	—
<b>Income from ordinary activities</b>	—	<b>Loss on ordinary activities</b>	<b>26,239</b>
<b>Extraordinary income</b>	—	<b>Extraordinary loss</b>	<b>26,239</b>
<b>Income before taxes</b>	—	<b>Loss before taxes</b>	<b>26,239</b>
Corporate income tax (Note 11)	—		
<b>Income for the period</b>	—	<b>Loss for the period</b>	<b>26,239</b>

The accompanying Notes 1 to 15 are an integral part of the abridged statement of operations for the period from April 21 to December 31, 2004.



*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails. The issuer confirms that the abridged financial statements have been correctly translated.*

## **AUDITORS' REPORT ON ABRIDGED FINANCIAL STATEMENTS**

To the Sole Shareholder of  
Santander International Debt, S.A. (Sole-Shareholder Company):

We have audited the abridged financial statements of SANTANDER INTERNATIONAL DEBT, S.A. (Sole-Shareholder Company) — “the Company” — comprising the abridged balance sheet as of December 31, 2004, and the related abridged statement of operations and notes to abridged financial statements for the period from April 21, 2004 (the date of incorporation) to December 31, 2004. The preparation and content of these abridged financial statements are the responsibility of the Company’s directors. Our responsibility is to express an opinion on the abridged financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the abridged financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.

As a result of the losses incurred in 2004, the Company is in a situation of mandatory dissolution, in accordance with Article 163 of the revised Spanish Corporations Law. Consequently, the Company’s directors must adopt the appropriate measures to restore the Company’s net worth, for which purpose it has the financial support of its Sole Shareholder.

In our opinion, the abridged financial statements for the period from April 21 to December 31, 2004, referred to above present, in all material respects, a true and fair view of the net worth and financial position of Santander International Debt, S.A. (Sole-Shareholder Company) as of December 31, 2004, and of the results of its operations in the aforementioned period, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards.

DELOITTE

Registered in ROAC under no. S0692

Germán de la Fuente

April 1, 2005

Deloitte S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

**SANTANDER INTERNATIONAL DEBT, S.A.**  
**(Sole-Shareholder Company)**

Abridged Financial Statements for the Period  
from April 21, 2004 (the Date of Incorporation)  
to December 31, 2004

*Translation of abridged financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (Note 15). In the event of a discrepancy, the Spanish-language version prevails. The issuer confirms that the abridged financial statements have been correctly translated.*

## **Santander International Debt, S.A. (Sole-Shareholder Company)**

Notes to Abridged Financial Statements  
for the Period from April 21, 2004  
(the Date of Incorporation)  
to December 31, 2004

### **1. Company description**

Santander International Debt, S.A. (Sole-Shareholder Company) — "the Company" —, a corporation forming part of the Santander Group ("the Group", Note 9), was incorporated for an indefinite period of time on April 21, 2004.

The Company's registered office is located at Ciudad Grupo Santander, Avenida de Cantabria, s/n, Boadilla del Monte.

Its sole corporate purpose is to issue ordinary or senior debt secured by Banco Santander Central Hispano, S.A. (Note 9).

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to abridged financial statements.

### **2. Basis of presentation of the abridged financial statements**

#### ***a) True and fair view***

The abridged financial statements for the period from April 21 to December 31, 2004, which were prepared by the Company's directors in accordance with the revised Corporations Law, are presented in the formats established by Royal Decree 1643/1990 approving the Spanish National Chart of Accounts and, accordingly, give a true and fair view of the Company's net worth, financial position and results of operations for the period.

The abridged financial statements have not yet been approved by the Sole Shareholder. However, the Company's Board of Directors considers that they will be approved without any changes.

#### ***b) Accounting policies and valuation standards***

The abridged financial statements were prepared by applying the accounting principles and valuation standards described in Note 3. All obligatory accounting principles and valuation standards with a material effect on the abridged financial statements were applied in their preparation.

### **3. Accounting principles and valuation standards applied**

The main accounting principles and valuation standards applied in preparing the abridged financial statements were as follows:

#### ***a) Incorporation and preopening expenses***

Start-up expenses are recorded at cost, net of the related accumulated amortization. They are amortized on a straight-line basis over five years.

**b) *Debt securities and other similar issues***

The subordinated debt issues launched by the Company, which are secured by Banco Santander Central Hispano, S.A. (Note 10), are recorded at their redemption value.

**c) *Deferred charges***

Debt arrangement expenses are recorded at cost and are charged to income systematically through the date of maturity of the issues.

Deferred interest expenses are recorded for the difference between the redemption value and the amount received on issuing the related debt securities and are allocated to income by the interest method over a maximum period ending on the date on which the debt can be repaid in full.

**d) *Recognition of revenues and expenses***

Revenues and expenses are generally recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

**d) *Corporate income tax***

As permitted by current legislation, the Company files consolidated corporate income tax returns as part of Consolidated Group 17/89, the parent company of which is Banco Santander Central Hispano, S.A. (Notes 9 and 11).

The expense for corporate income tax of the period is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, which are taken to be the differences between taxable income and income per books before taxes which do not reverse in subsequent periods. This expense is recorded under the "Corporate Income Tax" caption in the abridged statement of operations.

**e) *Classification of receivables and payables***

The various items in the accompanying abridged balance sheet are classified as current assets and current liabilities when they mature at less than twelve months from period-end. Receivables and payables maturing at over twelve months are recorded as long-term items.

**f) *Foreign currency transactions***

Long-term investments whose acquisition cost was denominated in foreign currencies were translated to euros at the exchange rates prevailing at the date of each acquisition. This value is maintained for so long as it does not exceed the value that would result from applying the year-end exchange rates to the acquisition cost of the related investments denominated in foreign currencies.

Debts whose amount was denominated in foreign currencies were translated to euros at the exchange rates prevailing at the date of arrangement of the debt. At year-end they are adjusted to the exchange rate then ruling.

Negative differences arising from application of the aforementioned methods are charged to period income, while unrealized positive differences arising in each homogeneous group of currencies are recorded as "Deferred Revenues" on the liability side of the balance sheet and can be offset against the negative differences relating to the same group of currencies charged to income for the period. In the case of exchange rate hedging transactions, for translation purposes, only the unhedged portion of the risk will be considered.

**4. Allocation of loss**

The proposed allocation of the loss for the period from April 21 to December 31, 2004, that the Board of Directors will submit for approval by the Sole Shareholder is that the loss be allocated in full to "Accumulated Losses". The losses were due to certain expenses relating to issues of debt being incurred on issue and amortized against income later.

## 5. Start-up expenses

The detail of the balance of this caption in the accompanying abridged balance sheet and of the variation therein is as follows:

	Euros		
	Additions	Amortization Expense	Balance at Period-End
Incorporation expenses	2,004	234	1,770

## 6. Long-term investments

The detail of the balance of this caption in the accompanying abridged balance sheet as of December 31, 2004, is as follows:

	Interest Rate	Maturity Date	Amount (Euros)
Time deposits at: Banco Santander Central Hispano, S.A.(*):			
Euros	Floating	12/14/06	1,999,928,000
U.S. dollars	Floating	06/15/06	36,638,045
Pounds sterling	Floating	12/17/07	354,113,494
Euros	Floating	12/20/07	1,499,880,000
			<b>3,890,559,539</b>

(\*) Note 9.

During the reporting period the Company arranged time deposits at Banco Santander Central Hispano, S.A. (Note 9) in order to finance the payment of interest on the related ordinary or senior debt issue (Note 10).

The interest earned on these time deposits in the period from April 21 to December 31, 2004, which amounted to €4,106,219, is recorded under the “Financial Revenues” caption in the accompanying abridged statement of operations. As of December 31, 2004, this amount had not yet been collected and, accordingly, it is recorded under the “Accrual Accounts” caption on the asset side of the accompanying abridged balance sheet. The average annual interest earned during the period was 3.34%.

## 7. Deferred charges

The detail of the balance of this caption in the accompanying abridged balance sheet is as follows:

	Euros
Debt arrangement expenses	221,169
Deferred interest expenses on marketable securities (Note 10)	315,749
<b>Total</b>	<b>536,918</b>

The financial expenses incurred in this connection in the period from April 21 to December 31, 2004, totaled €7,231, and this amount is recorded under the “Financial and Similar Expenses — Other Financial Expenses” caption in the accompanying abridged statement of operations.

## 8. Cash

The detail of the balance of this caption in the accompanying abridged balance sheet as of December 31, 2004, is as follows:

	Amount (Euros)
Demand deposits at:	
Banco Santander Central Hispano, S.A.(*)	
Euros	122,135
U.S. dollars	70,606
Pounds sterling	69,981
	<b>262,722</b>

(\* ) Note 9.

The balance of these deposits did not earn any interest in the period from April 21 to December 31, 2004.

## 9. Capital stock

The Company's capital stock as of December 31, 2004, consisted of 602 fully subscribed and paid common registered shares (of a single series) of €100 par value each. All of the shares are owned by Banco Santander Central Hispano, S.A. and, consequently, in accordance with Law 2/1995, the Company is a sole-shareholder corporation.

## 10. Debt securities and other similar issues

The balance of this caption includes the various ordinary or senior debt issues launched by the Company and secured by Banco Santander Central Hispano, S.A. (Note 9), which for debt seniority purposes rank below general creditors, the detail being as follows:

	Currency	Interest	Issue Date	Maturity Date	Amount (Euros)
Ordinary or senior debt (*):					
Series 1	Euros	Floating	12/14/04	12/14/04	2,000,000,000
Series 2	U.S. dollars	Floating	12/15/04	06/15/06	36,708,025
Series 3	Pounds sterling	Floating	12/17/04	12/17/07	354,584,782
Series 4	Euros	Floating	12/20/04	12/20/07	1,500,000,000
					<b>3,891,292,807</b>

(\* ) Debt securities listed on the Luxembourg Stock Exchange.

All these issues have the joint and several guarantee of Banco Santander Central Hispano, S.A. (Note 9). As of December 31, 2004, these issues had been subscribed and paid in full.

The main features of each series are as follows:

Series 1: 20,000 securities, represented by book entries, of €100,000 par value each, with an issue value of 100%. Holders are entitled to receive a return of 3-month Euribor plus 0.05%, payable quarterly on March, June, September and December 14 of each year through the date of maturity.

Series 2: 500 securities, represented by book entries, of US\$ 100,000 par value each, with an issue value of 100%. Holders are entitled to receive a return of 3-month U.S. dollar Libor, payable quarterly on March, June, September and December 15 of each year through the date of maturity.

Series 3: 25,000 securities, represented by book entries, of GBP 10,000 par value each, with an issue value of 99.937%. Holders are entitled to receive a return of 3-month pound sterling Libor, payable quarterly on March, June, September and December 17 of each year through the date of maturity.

Series 4: 1,500,000 securities, represented by book entries, of €10,000 par value each, with an issue value of 99.994%. Holders are entitled to receive a return of 3-month Euribor plus 0.06%, payable quarterly on March, June, September and December 20 of each year through the date of maturity.

The difference between the issue value and the redemption value of series 3 and 4 is recorded under the “Deferred Charges” caption, net of the amount of interest accrued in the period from April 21 to December 31, 2004, which was recorded under the “Financial and Similar Expenses — Other Financial Expenses” caption in the accompanying abridged statement of operations (Note 7).

In the period from April 21 to December 31, 2004, this ordinary or senior debt issue bore interest of €4,094,957, which is recorded under the “Financial and Similar Expenses — On Other Debts” caption in the accompanying abridged statement of operations. This interest, which had not been paid as of December 31, 2004, was recorded under the “Accrual Accounts” caption on the liability side of the accompanying abridged balance sheet. The debt issue bore average annual interest of 2.95% in the aforementioned period.

#### **11. Tax matters**

The Company files consolidated tax returns as part of the Group headed by Banco Santander Central Hispano, S.A.

As of December 31, 2004, the loss before taxes per books was the same as the tax base for corporate income tax purposes.

#### **12. Outside services**

The balance of the “Outside Services” caption in the accompanying abridged statement of operations includes €25,620 relating to the fees paid by the Company to its auditor for the audit of the Company’s financial statements for the period from April 21 to December 31, 2004. In the aforementioned period the Company paid its auditor €12,000 for other services required under current legislation, and this amount is recorded under the “Start-Up Expenses” caption on the asset side of the accompanying abbreviated balance sheet.

#### **13. Other disclosures**

Since the Company does not have any employees and is managed directly by its directors, it did not record any employee welfare expenses in the period.

The Company’s directors did not receive any compensation, salaries or attendance fees of any kind in the period from April 21 to December 31, 2004.

As of December 31, 2004, the Company had not granted any advances or loans to the former or current members of the Board, and it did not have any pension, life insurance or guarantee commitments to them.

Pursuant to Article 127 ter.4 of the Spanish Corporations Law, introduced by Law 26/2003, which amends Securities Market Law 24/1988, and the revised Spanish Corporations Law, in order to reinforce the transparency of listed corporations, the members of the managing body hereby state that they do not own any equity interests in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the corporate purpose of Santander International Debt, S.A. (Sole-Shareholder Company).

Also, pursuant to the aforementioned Law, they hereby state that they do not perform, as independent professionals or as employees, any activities at non-Santander Group companies that are identical, similar or complementary to the activity that constitutes the corporate purpose of Santander International Debt, S.A. (Sole-Shareholder Company).



#### **14. Events subsequent to year-end**

Subsequent to December 31, 2004, the Company launched five new issues of ordinary or senior debt, the main features of which are as follows:

Series 5: 1,000,000 securities, issued on January 25, 2005, and represented by book entries, of €1,000 par value each, with an issue value of 99.785%. Holders are entitled to receive a return of 3-month Euribor plus 0.075%, payable quarterly on January, April, July and October 25 of each year through the date of maturity (January 25, 2010).

Series 6: 1,000,000 securities, issued on February 22, 2005, and represented by book entries, of €1,000 par value each, with an issue value of 100.015%. Holders are entitled to receive a return of 3-month Euribor plus 0.05%, payable quarterly on February, May, August and November 22 of each year through the date of maturity (February 22, 2008).

Series 7: 1,500,000 securities, issued on March 18, 2005, and represented by book entries, of €1,000 par value each, with an issue value of 99.912%. Holders are entitled to receive a return of 3-month Euribor plus 0.05%, payable quarterly on March, June, September and December 18 of each year through the date of maturity (March 18, 2008).

Series 8: 550 securities, issued on March 18, 2005, and represented by book entries, of GBP 100,000 par value each, with an issue value of 100%. Holders are entitled to receive a return of 3-month Libor plus 0.0125%, payable quarterly on March, June, September and December 18 of each year through the date of maturity (September 18, 2006).

Series 9: 1,750 securities, issued on March 21, 2005, and represented by book entries, of €100,000 par value each, with an issue value of 100%. Holders are entitled to receive a return of 1-month Euribor plus 0.03%, payable monthly on the 21st day of each month through the date of maturity (September 21, 2006).

#### **15. Explanation added for translation to English**

These abridged financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

**13.2 *Financial statements: If the issuer prepares both own and consolidated financial statements, include at least the consolidated financial statements in the base prospectus.***

Each of the Issuers prepares only own financial statements.

**13.3 *Auditing of historical annual financial information***

**13.3.1 *A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.***

The historical financial information included herein has been audited. The reports of the auditors do not contain any qualifications or disclaimers.

**13.3.2 *An indication of other information in the base prospectus which has been audited by the auditors.***

There is no such other information.

**13.3.3 *Where financial data in the base prospectus is not extracted from the issuer's audited financial statements state the source of the data and state that the data is un-audited.***

There is no such information.

**13.4 *Age of latest financial information***

**13.4.1 *The last year of audited financial information may not be older than 18 months from the date of the base prospectus.***

The last year of audited financial information relating to each of the Issuers is not older than 18 months from the date of this Base Prospectus.

**13.5 *Interim and other financial information***

**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 base prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is un-audited or has not been reviewed state that fact.***

The unaudited financial statements of each of the Issuers for the six months ended 30 June 2005 are set out below.

**SANTANDER INTERNATIONAL DEBT, S.A., (SOLE-SHAREHOLDER COMPANY)**

**ABRIDGED BALANCE SHEET AS OF JUNE 30, 2005**

(Euros)

ASSETS	June 30, 2005	SHAREHOLDER'S EQUITY AND LIABILITIES	June 30, 2005
<b>NONCURRENT ASSETS:</b>		<b>SHAREHOLDER'S EQUITY:</b>	
Start-up expenses	1,570	Capital stock	60,200
Long-term investments	10,967,220,044	Accumulated losses	(26,239)
		Loss for the period	(20,459)
<b>Total noncurrent assets</b>	<b>10,967,221,614</b>	<b>Total shareholder's equity</b>	<b>13,502</b>
		<b>LONG-TERM DEBT:</b>	
		Debt securities and other similar issues	10,972,362,603
<b>DEFERRED CHARGES</b>	<b>4,694,420</b>	<b>Total long-term issues</b>	<b>10,972,362,603</b>
<b>CURRENT ASSETS:</b>		<b>CURRENT LIABILITIES:</b>	
Cash	1,484,549	Taxes payable	145,655
Accrual	25,245,151	Accrual accounts	26,123,974
<b>Total current assets</b>	<b>26,729,700</b>	<b>Total current liabilities</b>	<b>26,269,629</b>
	<b>10,998,645,734</b>	<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>10,998,645,734</b>

**SANTANDER INTERNATIONAL DEBT, S.A., (SOLE-SHAREHOLDER COMPANY)**

**ABRIDGED STATEMENT OF INCOME  
FOR THE PERIOD FROM JANUARY 1, 2005 TO JUNE 30, 2005**

(Euros)

<b>DEBIT</b>	<b>Period from 01/01/05 to 06/30/05</b>	<b>CREDIT</b>	<b>Period from 01/01/05 to 06/30/05</b>
<b>EXPENSES:</b>		<b>REVENUES:</b>	
Outsides services	20,137		
Start-up expenses amortization expense	200		
<b>Beneficios de explotación</b>	—	<b>Operating loss</b>	<b>20,137</b>
Financial and similar expenses —		Financial revenues	91,714,877
On other debts	91,240,399		
Other financial expenses	453,484		
Exchange differences	21,116		
<b>Financial income</b>		<b>Financial loss</b>	<b>122</b>
<b>Income from ordinary activities</b>	—	<b>Loss on ordinary activities</b>	<b>20,259</b>
<b>Extraordinary income</b>	—	<b>Extraordinary loss</b>	<b>20,259</b>
<b>Income before taxes</b>	—	<b>Loss before taxes</b>	<b>20,259</b>
Corporate income tax	—		
<b>Income for the period</b>	—	<b>Loss for the period</b>	<b>20,259</b>

SANTANDER ISSUANCES, S.A., (SOLE-SHAREHOLDER COMPANY)

ABRIDGED BALANCE SHEET AS OF JUNE 30, 2005

(Euros)

ASSETS	June 30, 2005	SHAREHOLDER'S EQUITY AND LIABILITIES	June 30, 2005
<b>NONCURRENT ASSETS:</b>		<b>SHAREHOLDER'S EQUITY:</b>	
Start-up expenses	1,540	Capital stock	60,200
Long-term investments	1,001,781,098	Retained profits	46,000
		Income for the period	81,992
<b>Total noncurrent assets</b>	<b>1,001,782,638</b>	<b>Total shareholder's equity</b>	<b>188,192</b>
		<b>LONG-TERM DEBT:</b>	
		Debt securities and other similar issues	1,000,000,000
		<b>Total long-term debt</b>	<b>1,000,000,000</b>
<b>DEFERRED CHARGES</b>	<b>3,062,595</b>	<b>PROVISION FOR CONTINGENCIES AND EXPENSES:</b>	
		Provisions for taxes	68,919
		<b>Total provisions for contingencies and expenses</b>	<b>68,919</b>
<b>CURRENT ASSETS:</b>		<b>CURRENT LIABILITIES:</b>	
Cash	828,908	Accrual accounts	16,953,303
Accrual accounts	11,536,273		
<b>Total current assets</b>	<b>12,365,181</b>	<b>Total current liabilities</b>	<b>16,953,303</b>
<b>TOTAL ASSETS</b>	<b>1,017,210,414</b>	<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>1,017,210,414</b>

SANTANDER ISSUANCES, S.A., (SOLE-SHAREHOLDER COMPANY)

**ABRIDGED STATEMENT OF INCOME**  
**FOR THE PERIOD FROM JANUARY 1, 2005 TO JUNE 30, 2005**  
(Euros)

DEBIT	Period from 01/01/05 to 06/30/05	CREDIT	Period from 01/01/05 to 06/30/05
<b>EXPENSES:</b>		<b>REVENUES:</b>	
Outside services	19,892		
Start-up expense amortization expense	205		
<b>Operating income</b>	—	<b>Operating loss</b>	<b>20,097</b>
Financial and similar expenses —		Financial revenues	17,592,584
On other debts	17,216,681		
Other financial expenses	229,665		
<b>Financial income</b>	<b>146,238</b>	<b>Financial loss</b>	—
<b>Income from ordinary activities</b>	<b>126,141</b>	<b>Loss on ordinary activities</b>	—
<b>Extraordinary income</b>	—	<b>Extraordinary loss</b>	—
<b>Income before taxes</b>	<b>126,141</b>	<b>Loss before taxes</b>	—
Corporate income tax	(44,149)		
<b>Income for the period</b>	<b>81,992</b>	<b>Loss for the period</b>	—

**Deloitte.**

Advt





**CASH-FLOW STATEMENT OF  
SANTANDER INTERNATIONAL DEBT, S.A. (Unipersonal)  
FOR THE PERIOD FROM APRIL 21, 2004 (DATE OF INCORPORATION) TO  
DECEMBER 31, 2004 (NOTES 1 AND 2)**

	<b>EUROS</b>
<b>Cash flows from operations:</b>	
Net Income for the period	(26,239)
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization of deferred cost of incorporation	234
Amortization and depreciation	7,230
Increase/(Decrease) in taxes payable	—
Increase/(decrease) in current liabilities	4,129,184
Exchange differences in translation	11,217
Net cash from/(used in) operating activities	<b>4,121,625</b>
<b>Cash flows from investing activities:</b>	
Decrease/(increase) in long-term investments	(3,890,559,539)
Decrease/(increase) in inter-group long-term investments	(4,106,219)
Accrued Interest received	—
Net cash from/(used in) financing activities	<b>(3,894,665,758)</b>
<b>Cash flows from financial activities:</b>	
Deferred cost of incorporation	(2,004)
Increase/(decrease) in Capital Stock	60,200
Decrease/(increase) in Issuance cost	(544,148)
Acquisition of preferred stock	3,891,292,807
Net cash from/(used in) financing activities	<b>3,890,806,855</b>
<b>Net Increase in cash and cash equivalents</b>	<b>262,722</b>
<b>Cash balance at the beginning of the year</b>	<b>—</b>
<b>Cash balance at the end of the period</b>	<b>262,722</b>

The accompanying Notes 1 and 2 are an integral part of the cash flow statement  
for the period from April 21 to December 31, 2004.

## **Santander International Debt, S.A., Unipersonal**

Notes to the cash flow statement  
for the period from April 21, 2004  
(the date of incorporation)  
to December 31, 2004.

### **1. Basis of presentation of the cash flow statement**

The cash flow statement of Santander International Debt, S.A., Unipersonal (the “Company”) for the period from April 21, 2004 (the date of incorporation) to December 31, 2004 and the related notes have been prepared for the purposes of inclusion in the Base Prospectus dated November 2005, related to the Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A., Unipersonal guaranteed by Banco Santander Central Hispano, S.A. €25,000,000,000 Programme for the Issuance of Debt Instruments in the Luxembourg Stock Exchange.

The cash-flow statement has been prepared in order to complement the Company’s abridged financial statements for the period from April 21, 2004 (the date of incorporation) to December 31, 2004 to the extent necessary to meet the disclosure requirements of EU Regulation 2004-809.

The Spanish Corporations Law and the Royal Decree 1643/1990 approving the Spanish National Chart of Accounts, which are applicable to the elaboration of the Company’s abridged financial statements, do not require a cash flow statement as an integral part of the abridged financial statements or as a separate financial statement; consequently, no accounting principles exist in Spain in order to regulate the elaboration of such statement.

Consequently, the Company’s Directors, who are responsible for preparing the additional disclosures in accordance with the requirements of EU Regulation 2004-809 and CESR/05-054b, have elaborated the cash flow statement according with the following bases:

- a) The methodology of compilation and presentation described in the International Accounting Standard 7 has been used; consequently, the cash flow statement is presented accordingly with the aforementioned standard.
- b) The calculation has been performed using the figures and other financial information included in the Company’s abridged financial statements for the period from April 21, 2004 (the date of incorporation) to December 31, 2004, prepared in accordance with the accounting standards generally accepted in Spain, which have not been modified or adjusted. Those abridged financial statements were approved by the sole-shareholder as of June 22, 2005.

### **2. Method of elaboration of the cash flow statement**

- a) Cash and cash equivalent: comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of less than three months.
- b) Operating activities: are the principal revenue-producing activities. The Directors have chosen to report cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals on accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows.
- c) Investing activities: are the acquisition and disposal of long-term assets and other investments.
- d) Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

13.5.2 *If the base prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is un-audited state that fact.*

*The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.*

See paragraph 13.5.1 above.

13.6 *Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the 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.*

The Issuers are not subject to any governmental, legal or arbitration proceedings.

13.7 *Significant change in the issuer's financial or trading position: A description of any significant change in the financial or trading position of the Issuers 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.*

Since 30 June 2005, Santander International Debt, S.A. has made the following debt securities issues:

<b>Issue Date</b>	<b>Description of Issue</b>
05-9-2005	Euro 20,000,000 Fixed Rate Instruments due 2035, Series 20
20-9-2005	CAD 300,000,000 Floating Rate Instruments due 2007, Series 22
20-9-2005	Euro 500,000,000 Floating Rate Instruments due 2010, Series 21
11-10-2005	GBP 350,000,000 Floating Rate Notes due 2010, Series 23
21-10-2005	Euro 1,000,000,000 Floating Rate Notes due 2010, Series 24

Since 30 June 2005, there has been no significant change in the financial or trading position of Santander Issuances, S.A. Unipersonal.

## 14 **ADDITIONAL INFORMATION**

### 14.1 *Share Capital*

14.1.1 *The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.*

The share capital of each of the Issuers is €60,200 divided into 602 ordinary shares with a par value of €100 each. All of the shares are issued and fully paid-up and constitute a single class.

### 14.2 *Memorandum and Articles of Association.*

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.*

The exclusive object of Santander International Debt, S.A. Unipersonal is to issue ordinary or senior debt with the guarantee of Banco Santander Central Hispano, S.A., as set out in Article 2 of the *Estatutos* of Santander International Debt, S.A. Unipersonal.

The exclusive object of Santander Issuances, S.A. Unipersonal is to issue subordinated debt with the guarantee of Banco Santander Central Hispano, S.A., as set out in Article 2 of the *Estatutos* of Santander Issuances, S.A. Unipersonal.

15 **MATERIAL CONTRACTS**

- 15.1 *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.*

There are not such material contracts.

16 **THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

- 16.1 *Where a statement or report attributed to a person as an expert is included in the Base Prospectus, 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 Base Prospectus.*

The report of Deloitte, S.L. contained herein is included, in the form and context in which it is included, with the consent of Deloitte, S.L. who has authorised the contents of that part of this Base Prospectus.

- 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.*

No such information is included.

17 **DOCUMENTS ON DISPLAY**

- 17.1 *A statement that for the life of the base prospectus the following documents (or copies thereof), where applicable, may be inspected:*

- (a) *the memorandum and articles of association of the issuer;*
- (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 base prospectus;*
- (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 base prospectus.*

*An indication of where the documents on display may be inspected, by physical or electronic means.*

The following documents may be inspected at the registered office of each of the Issuers, at the offices of each of the Issue and Paying Agent and of the Paying Agent in Luxembourg specified at the end of the Base Prospectus:

1. the *estatutos* (by-laws) of each of the Issuers and of the Guarantor; and
2. the information incorporated by reference herein under "The Guarantor—Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits and Losses".

The above information incorporated by reference herein shall be published on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)).

## THE GUARANTOR

### INFORMATION TO BE DISCLOSED ABOUT THE GUARANTOR

*The guarantor must disclose information about itself as if it were the issuer of that same type of security that is the subject of the guarantee.*

### PERSONS RESPONSIBLE

- 1.1. *All persons responsible for the information given in this Base Prospectus relating to the Guarantor and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.*

Banco Santander Central Hispano, S.A. accepts responsibility for the information contained in this Base Prospectus relating to the Guarantor.

- 1.2. *A declaration by those responsible for this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to the Guarantor is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of this Base Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

The Bank confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to it is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

## 2 STATUTORY AUDITORS

- 2.1. *Names and addresses of the Guarantor's auditors for the period covered by the historical financial information (together with their membership in a professional body).*

The non-consolidated and consolidated annual financial statements and management reports of BANCO SANTANDER CENTRAL HISPANO, S.A. for the years ended 31 December 2003 and 2004 were audited by the external auditors, DELOITTE, S.L. (formerly DELOITTE & TOUCHE ESPAÑA, S.L.) of Plaza Pablo Ruiz Picasso, 1, Madrid, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

- 2.2. *If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.*

The Bank's auditors have not resigned nor removed, and were last re-appointed by the Bank on 18 June 2005 to audit the annual financial statements for the financial year ending 31 December 2005.

### 3 RISK FACTORS

#### 3.1. *Prominent disclosure of risk factors that may affect the Guarantor's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors".*

The risk factors set out below also relate to the Issuers, as members of the Group.

#### **RISK FACTORS RELATING TO THE GUARANTOR**

##### **Risks in relation to Group operations**

As the Group's lending portfolio is concentrated in Spain, the United Kingdom and Latin America, any adverse changes that may affect the economies of Spain, the United Kingdom and Latin America may also negatively affect the Group's financial position.

The Group's lending portfolio is basically concentrated in Continental Europe (mainly Spain), the United Kingdom and Latin America. As at 31 December 2004, lending recorded in Continental Europe accounted for 49% of the Group total, with 40% located in the United Kingdom and 10% in Latin America. Consequently, adverse changes affecting the economies of Continental Europe, particularly that of Spain, the United Kingdom or Latin American countries where the Group carries on business could negatively affect the lending portfolio and, as a result, the financial position, cashflows and operating results of the Group.

*Part of the Group's business is cyclical, and consequently Group income could fall when demand for certain products or services follows a downward trend.*

The level of income from some Group products and services depends on the strength of the economies of the regions in which the Group operates and market trends in these regions. Consequently, and notwithstanding that the Group is attempting to diversify its activities, negative cycles could have an adverse effect on future Group income.

*Greater exposure in the real estate market has made the Group more vulnerable to market fluctuations.*

The global decrease in interest rates has led to an increase in demand for mortgage loans in the last few years. This had repercussions on real estate prices, which have significantly increased. Since mortgage loans are one of the Group's main assets and represent 50.9% of the Group's lending portfolio at 31 December 2004 (including Abbey), the Group is highly exposed to performance in the real estate market. A sharp increase in interest rates could have a significant negative impact on the default rate of mortgage loans. This increase in the default rate could negatively affect the business, financial position and operating results of the Group.

*The Group may generate less income from brokerage fees and other commission-based transactions.*

Market underperformance usually entails a decrease in the number of transactions carried out by the Group on behalf of its clients and, consequently, a decrease in the Group's earnings, other than earnings from interest. Furthermore, as the portfolio management fees charged by the Group to its clients are often based on the value or performance of these portfolios, market underperformance which reduces the value of the Group's client portfolios or which increases the number of fund withdrawals may reduce the Group's income derived from portfolio management, private banking and securities deposits.

Even without market underperformance, below-market performance of the Group's investment funds may cause client investments to be withdrawn or reduced, thereby reducing the Group's asset management income.

*Market risks associated to fluctuations in listed bonds and shares and other market factors are inherent to the Group's business. A continuous market decrease may reduce market liquidity, hinder the sale of assets and cause significant losses.*

Performance in financial markets may lead to changes in the value of the Group's investment and brokerage portfolio. Adverse and continuous market fluctuations and, particularly, a decrease in asset



prices, may reduce the level of activity or market liquidity in relation to some of the Group's business. The foregoing could also lead to material losses if the Group does not promptly settle its negative differences. This may be the case of Group assets without a liquid market. Assets not listed on a stock exchange or other official secondary markets, such as bank derivatives agreements, may be valued by the Group using methods other than official prices. Consequently, any asset devaluation is difficult to ascertain and may entail unforeseen losses for the Group.

*Volatility in interest rates could negatively affect the intermediary's margin of the Group and increase the Group's default levels.*

Changes in interest rates may affect interest income, which the Group receives on earning assets in a different way than the interest rate applicable to its earning liabilities. This difference can increase the financial cost of interest payments compared with interest income, which can result in a reduction in the Group's intermediary's margin. Income from cash asset operations is particularly vulnerable to interest rate volatility. Since the majority of the Group's lending portfolio is revised in under a year, increasing interest rates can result in an increase in defaults. Interest rates are highly sensitive to different factors that are outside the control of the Group, including deregulation in the financial sector, monetary policies, the domestic and international economy, the political situation and other factors.

*Exchange rate fluctuations can negatively affect Group profits and the value of its assets.*

In the ordinary course of business a percentage of Group assets and liabilities are denominated in currencies other than the euro. Fluctuations in the euro against other currencies can adversely affect the productivity of the Group. For example, a rise in the euro in relation to various Latin American currencies and the dollar can reduce income from Group activities in Latin America, and a rise in the euro against sterling will reduce income from Group activities in the United Kingdom. Furthermore, and even though the majority of countries in which the Group operates have not imposed prohibitions on repatriating dividends, capital investments or any form of distribution, there is no certainty that these countries will not impose restrictive exchange control policies in the future.

*Operating risks are inherent to the Group's business.*

The Group's business depends on its capacity to process a large number of transactions efficiently and accurately. Losses can result from inadequate internal control processes or failures in these processes, in people and in systems, or from extreme events that interrupt the ordinary course of the Group's operations.

*In 2005, the Group shall adopt the International Financial Information Rules (IFIR), which shall affect financial results as they differ in many respects from Generally Accepted Accounting Principles in Spain.*

Until 31 December 2004, the Group was drawing up its financial statements according to Generally Accepted Accounting Principles in Spain. In June 2002, the Council of Ministers of the European Union approved new regulations, which obliged all listed companies in the European Union, including the Bank, to apply International Financial Information Rules (formerly known as International Accounting Standards or IAS) when drawing up their consolidated financial statements as of 1 January 2005. Since the IFIR stress the importance of the reasonable value of certain assets and liabilities, their application to the Group's financial statements may significantly affect a large number of areas, including goodwill, intangible assets, employee benefits, financial instruments, payment accounting based on share value, long-term assets and business combinations, amongst others. As the financial statements drawn up according to the IFIR shall differ from those drawn up according to the Generally Accepted Accounting Principles in Spain, this may affect the methods used by the financial sector to assess the financial performance and negotiated securities issued by the Group.



*Acquisitions made and strategic alliances entered into by the Group recently or in the future could be interrupted.*

The Group has acquired controlling interests in various companies and has recently completed the acquisition of ABBEY NATIONAL PLC (“**Abbey**”). Although it is hoped that the Group will obtain strategic, operating and financial benefits as a result of the acquisition of Abbey, it cannot be predicted whether these benefits will be achieved or to what extent. More specifically, the success of the Abbey acquisition will largely depend on the ability of the Group to implement planned cost savings from acquiring control of the Abbey business. Likewise, the acquisition of Abbey has increased the Group’s assets by 51.7% at 31 December 2004, which presents a challenge in the management of the Group’s increased size as a result of the purchase. If the Group fails in the successful integration and management of Abbey, or if the anticipated benefits are not obtained which could result from this acquisition, the Group’s operating and financial results may be adversely affected. The Group may furthermore consider alternative strategic alliances or acquisitions. There is no certainty that the Group will be successful in managing these acquisitions or strategic alliances.

The Group cannot ensure that its acquisitions or strategic alliances develop in accordance with its expectations. Despite efforts by the Group in carrying out due diligences, the Group must necessarily base any evaluation of acquisitions and potential alliances on inaccurate and incomplete information and assumptions regarding operations, profitability and other matters which may be incorrect.

The Group cannot ensure that its expectations of integration and synergy will materialise.

### **Risks relating to Latin America**

*Growth, asset quality and profitability of Group subsidiaries in Latin America can be adversely affected by macroeconomic conditions.*

The economies of the ten Latin American countries in which the Group operates have experienced significant volatility in recent decades, characterised in some cases by slow or regressive growth, reductions in investment and hyperinflation. This volatility has resulted in fluctuations in deposit levels and in the relative strength of several segments of the economy which the Group finances.

Banking activities in Latin America (including Retail Banking, Asset Management and Private Banking, and Global Wholesale Banking) contributed €1,284.50 million to attributed net profits to the year ending 31 December 2004 (a reduction of 2.6% in the €1,318.50 million for the year ending 31 December 2003). (This figure does not include depreciation of goodwill in the amounts of €342.50 million and €1,979.80 million, or financial costs in the amounts of €517.0 and €542.30 million, taking into account the long-term euro interest rate, net of tax, at 31 December 2004 and 2003 respectively).

Various fluctuating and negative economic conditions, such as a changing interest rate environment, have had an impact on Group profitability by reducing financing margins and demand for products and services with higher margins.

Furthermore, the economic and political crisis in Argentina which led to the conversion by the Argentinean government of all debt denominated in US dollars subject to Argentinean jurisdiction and legislation into debt denominated in Argentinean pesos, has had a negative impact on the Group’s banking subsidiaries in Argentina. Negative effects on Group operations in Argentina included: (i) losses from the compulsory conversion of debt denominated in dollars to debt denominated in Argentinean pesos at lower than market exchange rates, (ii) a reduction in financing activities and the attraction of deposits, (iii) an increase in restrictions on the transferability of funds, and (iv) an increase in defaults by Argentinean customers. Without prejudice to the fact that the Argentinean economy has recovered in 2004 and that results of activities of Group’s Argentinean subsidiaries have likewise improved, it is possible that despite the recent economic growth Argentina may return to a period of political and economic instability. If this happens, the financial situation and results of the Group’s Argentinean subsidiaries would be adversely affected to a relevant extent.

#### 4 INFORMATION ABOUT THE GUARANTOR

##### 4.1. *History and development of the Guarantor.*

###### 4.1.1. *Legal and trading name of the issuer*

The name of the Bank is BANCO SANTANDER CENTRAL HISPANO, S.A. and it operates under the trading name “Santander” or “Grupo Santander”.

###### 4.1.2. *The place of registration of the Guarantor and its registration number.*

The Bank is registered in the Santander Commercial Registry in book 83, folio 1, sheet 9, entry 5519, and it adapted its Articles of Association to the current Companies Act by document executed in Santander on 8 June 1992 before the Public Notary Mr José María de Prada Díez, and numbered 1316 in his records, and registered in the Santander Commercial Registry in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

It is also registered in the Special Register of Banks and Bankers under code number 0049.

###### 4.1.3. *The date of incorporation and the length of life of the Guarantor, except where indefinite.*

The Bank was founded in the city of Santander by notarised document executed on 3 March 1856 before court official Mr José Dou Martínez, ratified and partially amended by a further document dated 21 March 1857 before the court official of Santander Mr José María Olarán, and commenced trading on 20 August 1857.

The Bank commenced trading at the time of its formation and according to Article 3 of the Articles of Association it will remain in existence for an indefinite period.

###### 4.1.4. *The domicile and legal form of the Guarantor, the legislation under which the Guarantor operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office).*

The Bank is domiciled in Spain and has the legal form of a Joint Stock Company (“*Sociedad Anónima*”) and its activities are subject to special Spanish legislation governing credit institutions in general and the supervision, control and regulation of BANK OF SPAIN in particular.

The Bank was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The principal operating headquarters of the Bank is located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 75 17.

###### 4.1.5. *Any recent events particular to the Guarantor which are to a material extent relevant to the evaluation of the Guarantor’s solvency.*

On 25 July 2004, the boards of directors of the Bank and Abbey approved the terms on which the board of directors of Abbey recommended to its shareholders the offer by the Bank to acquire the entire ordinary share capital of Abbey pursuant to a Scheme of Arrangement subject to the English Companies Law.

Following the holding of the corresponding general shareholders meetings of Abbey and the Bank in October 2004 and once the remaining conditions of the transaction were satisfied, on 12 November 2004 the acquisition was completed pursuant to the delivery of one new share of the Bank for each ordinary share of Abbey.

In 2004, the Bank opened its new corporate premises, the Ciudad Grupo Santander in the Madrid municipality of Boadilla del Monte, to which 6,500 employees were transferred from the Central Services of the Group. The cost of Ciudad Grupo Santander, being €550,000,000, is financed with the sale of the various office buildings which were occupied by the Central Services of the Group in Madrid.

## 5 BUSINESS OVERVIEW

### 5.1. *Principal activities.*

#### 5.1.1. *A brief description of the Guarantor's principal activities stating the main categories of products sold and/or services performed.*

The Santander Group is one of the principal financial groups in Spain and the leading banking group in the Euro Zone with a stock exchange capitalisation at 31 December 2004 of €57,102 million and total assets of €575,398 million. At that date, the Santander Group operated through 4,384 branches in Spain and 5,589 abroad, with a total of 127,427 employees (33,353 in Spain and 94,074 abroad).

The Group generated consolidated net profits (before minority interests and preferential dividends) of €3,668 million in 2004. Net profit attributed to the Group was €3,136 million.

In the 2004 financial year the Santander Group maintained the general presentation principles applied in 2003. Furthermore, and in order to facilitate comparison with previous financial years, the previous business areas have been maintained and Abbey has not been incorporated into any of them. The accounting integration of Abbey into the Santander Group took place on 31 December 2004. This incorporation has no effect on Group profit and loss for 2004 as a whole, but does have an effect on the balance sheet.

Preparation of balance sheets and income statements for each of the business areas takes place by aggregating the basic operating units which exist in the Group. The basic information used consists of both accounting data of the legal units which are included in each area as well as available information from management information systems. In all cases the financial statements are adapted to Spanish law, consequently taking in applicable consolidation and/or uniformity adjustments.

Capital is allocated in such a manner that all businesses have a capital equivalent to the regulatory minimum necessary in terms of risk assets, with two exceptions: "European Retail Banking" and "Latin American Retail Banking", where available historical experience has shown that the economic risk presents positive deviations in the former and negative in the latter, which make it advisable to give a negative weighting (by 50%) to the capital allocated to European Retail Banking, and a positive weighting (by 50%) to Latin America.

The institutional costs of the Group are distributed between all operating businesses. The remaining costs allocated for support and control services have continued to be distributed in accordance with usual principles.

In relation to the 2003 figures, an adjustment has been made of immaterial impact, deriving from the change in allocation of some teams, which has affected Santander Consumer.

This information regarding Business Areas is unaudited and does not form part of the management reports of the Group and Bank, which are included in Section 20.1 of this Base Prospectus. Nevertheless, the accounts have been prepared in accordance with generally accepted accounting principles and criteria.

The definition and content of the business areas are as follows:

- **Banca Comercial Europa ("European Retail Banking"):** Takes in banking activities carried out by the different networks and specialised commercial units in Europe, basically with private customers, small and medium enterprises and public and private institutions. It is made up of four units: Santander Central Hispano Retail Banking, Banesto, Portugal and Santander Consumer.

Banesto details (included in European Retail Banking) take in the contribution of Banesto to the Group after applying the principles described in this Section, and therefore this information does not coincide with that published by Banesto.

- **Banca Comercial América ("Latin American Retail Banking"):** Takes in banking activities carried out by the Group through its banking and financial subsidiaries in Latin America. Consequently, investment banking and asset management activities channelled through specialised business units are not included, except for existing distribution agreements.

In accordance with the principles already indicated, all applicable requirements of Spanish regulation are incorporated in each country. Depreciation of goodwill, as a result of being unrelated to management of the business, and write offs as a result of country-risks, are recorded in Financial Management and Holdings.

- **Asset Management and Private Banking:** This includes, under asset management, investment and pension funds and the bancassurance business. Private banking takes in customer banking through specialised units in Spain and abroad. In both cases the existing distribution agreements with Group networks throughout the world as remuneration for distribution and customer care have been maintained.
- **Global Wholesale Banking:** This takes in the Corporate Banking activities of Santander Central Hispano in Spain, the rest of Europe and New York, cash asset activities in Madrid and New York and investment banking businesses throughout the world.
- **Financial Management and Holdings:** This incorporates the centralised management businesses in relation to industrial and financial holdings (of a strategic or temporary nature), financial management of the structural exchange rate position, the ALCO portfolio and the management of liquidity and own funds through issues and securitisations. As Group holding company it handles all capital and reserves, capital allocations and liquidity with the remaining businesses. It incorporates write offs in relation to country-risk and accelerated depreciation of goodwill. As indicated on the previous page, it does not take in expenses of central Group services.

It also includes, in all cases on a temporary basis, businesses in the process of liquidation or closure in order not to distort the remaining businesses. By exception, the launch of a business of a strategic nature may be included under this heading.

The following tables show details of the most significant information from all business areas, followed by details of the more significant balance sheet and profit and loss headings of the commercial business areas:

Data by business area Millions of euros	Operating margin			Net profit attributed ( <i>cash-basis</i> ) (1)			Efficiency (%)	
	Var. over/ 2003			Var. over/ 2003			2004	2003
	2004	Absolute	(%)	2004	Absolute	(%)		
European Retail Banking	3,918.7	589.2	17.70	2,120.3	358.7	20.36	42.46	45.75
Santander Central Hispano	1,859.6	202.1	12.19	1,041.4	114.9	12.40	43.02	45.44
Banesto	815.9	123.3	17.81	470.1	90.2	23.74	45.59	48.46
Santander Consumer	806.8	220.2	37.54	359.0	111.2	44.89	35.50	39.89
Portugal	436.4	56.3	14.81	249.9	36.7	17.22	44.35	48.42
Latin American Retail Banking	1,741.2	87.7	5.30	1,038.6	(25.8)	(2.43)	55.26	54.86
Asset Management and Private Banking	479.1	62.4	14.99	351.1	31.5	9.87	42.33	43.99
Global Wholesale Banking	412.7	29.5	7.69	331.1	105.6	46.80	46.03	47.54
Financial management and holdings	(6.5)	55.7	(89.48)	(240.5)	(2.6)	1.08	—	—
Total	6,545.2	824.5	14.41	3,600.7	467.4	14.92	47.44	49.34

	ROE ( <i>cash-basis</i> ) (%) (1)		Default level (%)		Coverage (%)	
	2004	2003	2004	2003	2004	2003
	European Retail Banking	19.50	19.51	1.06	1.09	235.33
Santander Central Hispano	20.78	22.40	0.55	0.73	399.41	262.87
Banesto	16.79	15.57	0.55	0.66	391.76	339.32
Santander Consumer	22.02	21.19	2.22	2.12	153.48	149.70
Portugal	17.42	16.88	3.14	2.30	111.35	125.44
Latin American Retail Banking	26.87	29.03	2.58	3.90	163.53	125.06
Asset Management and Private Banking	63.67	59.38	0.71	0.19	217.09	758.38
Global Wholesale Banking	20.87	13.32	0.39	0.70	430.15	308.38
Total without Abbey	18.35	17.37	1.27	1.55	207.96	165.19

	Employees (*)		Branches	
	2004	2003	2004	2003
	European Retail Banking	40,703	41,643	5,180
Santander Central Hispano	19,371	20,747	2,571	2,548
Banesto	9,801	9,954	1,683	1,689
Santander Consumer	5,234	3,991	256	183
Portugal	6,297	6,900	670	670
Latin American Retail Banking	52,107	52,229	3,874	3,894
Asset Management and Private Banking	6,735	6,606	171	189
Global Wholesale Banking	2,223	2,288	18	26
Financial management and holdings	359	271	—	—
Total without Abbey	102,127	103,038	9,243	9,199
Abbey	24,361	—	730	—
Total	126,488	103,038	9,973	9,199

(1) Before ordinary depreciation of goodwill. In the case of the European Retail Banking, Latin American Retail Banking, Asset Management and Private Banking, and Global Wholesale Banking areas, attributed net profit and ROE on cash-basis terms and without this effect is the same since the details thereof do not include depreciation (ordinary and/or accelerated) of goodwill.

(\*) Direct + attributed.

Millions of euros	European Retail Banking			Latin American Retail Banking			Asset Management and Private Banking			Global Wholesale Banking		
	2004	2003	(%)	2004	2003	(%)	2004	2003	(%)	2004	2003	(%)
<b>Profit/Loss</b>												
Intermediary's margin	4,952.0	4,633.1	6.88	3,369.7	2,965.3	13.64	123.1	93.6	31.49	401.5	379.1	5.90
Net commissions	2,347.0	2,115.4	10.95	1,201.3	1,036.0	15.96	725.9	677.1	7.21	335.7	330.7	1.51
<b>Basic margin</b>	<b>7,298.9</b>	<b>6,748.4</b>	<b>8.16</b>	<b>4,571.0</b>	<b>4,001.3</b>	<b>14.24</b>	<b>849.0</b>	<b>770.7</b>	<b>10.16</b>	<b>737.2</b>	<b>709.8</b>	<b>3.86</b>
Profit/Loss from financial operations	276.7	175.7	57.50	204.5	501.3	(59.20)	22.1	28.1	(21.36)	81.2	76.3	6.40
<b>Ordinary margin</b>	<b>7,575.6</b>	<b>6,924.1</b>	<b>9.41</b>	<b>4,775.5</b>	<b>4,502.6</b>	<b>6.06</b>	<b>871.0</b>	<b>798.7</b>	<b>9.05</b>	<b>818.3</b>	<b>786.1</b>	<b>4.10</b>
General administration expenses	(3,216.9)	(3,168.0)	1.54	(2,638.8)	(2,470.0)	6.83	(368.7)	(351.4)	4.91	(376.7)	(373.7)	0.80
a) Operating	(2,754.5)	(2,732.3)	0.81	(2,504.6)	(2,339.1)	7.06	(349.4)	(333.8)	4.68	(292.8)	(295.0)	(0.72)
<i>Personnel</i>	(1,996.1)	(1,992.1)	0.20	(1,330.3)	(1,270.4)	4.71	(222.3)	(211.7)	5.04	(188.6)	(197.2)	(4.38)
<i>Other administrative expenses</i>	(758.3)	(740.1)	2.46	(1,173.3)	(1,068.6)	9.85	(127.1)	(122.1)	4.07	(104.2)	(97.7)	6.65
b) Indirect	(462.4)	(435.7)	6.12	(134.6)	(131.0)	2.78	(19.3)	(17.6)	9.29	(83.9)	(78.7)	6.53
Depreciation of fixed assets	(366.1)	(365.7)	0.12	(282.7)	(280.9)	0.64	(23.3)	(29.4)	(20.83)	(27.0)	(27.3)	(1.27)
Other operating profit/loss	(74.0)	(61.0)	21.34	(112.8)	(98.0)	15.08	0.0	(1.3)	—	(1.9)	(1.8)	6.61
<b>Operating margin</b>	<b>3,918.7</b>	<b>3,329.5</b>	<b>17.70</b>	<b>1,741.2</b>	<b>1,653.6</b>	<b>5.30</b>	<b>479.1</b>	<b>416.6</b>	<b>14.99</b>	<b>412.7</b>	<b>383.2</b>	<b>7.69</b>
Net profit/loss from placing in equivalence	113.1	87.9	28.67	3.7	(4.8)	—	56.0	69.5	(19.40)	—	(4.0)	(100.00)
Net insolvency provisions	(1,040.0)	(895.0)	16.20	(286.7)	(340.6)	(15.83)	(9.2)	(4.1)	122.96	21.5	(43.3)	—
Other profit/loss	67.5	57.3	17.72	(182.6)	74.3	—	(9.1)	(6.3)	44.23	3.6	(30.3)	—
<b>Pre-tax profit</b>	<b>3,059.2</b>	<b>2,579.7</b>	<b>18.59</b>	<b>1,275.6</b>	<b>1,382.5</b>	<b>(7.73)</b>	<b>516.7</b>	<b>475.6</b>	<b>8.64</b>	<b>437.8</b>	<b>305.7</b>	<b>43.22</b>
<b>Consolidated net profit</b>	<b>2,225.4</b>	<b>1,862.7</b>	<b>19.48</b>	<b>1,200.1</b>	<b>1,197.4</b>	<b>0.22</b>	<b>361.9</b>	<b>336.8</b>	<b>7.46</b>	<b>333.4</b>	<b>229.0</b>	<b>45.58</b>
<b>Net profit attributed to the Group</b>	<b>2,120.3</b>	<b>1,761.6</b>	<b>20.36</b>	<b>1,038.6</b>	<b>1,064.5</b>	<b>(2.43)</b>	<b>351.1</b>	<b>319.6</b>	<b>9.87</b>	<b>331.1</b>	<b>225.6</b>	<b>46.80</b>
<b>Balance Sheet</b>												
Customer lending (net)	144,273.9	125,137.2	15.29	33,691.5	28,234.7	19.33	2,154.0	1,548.7	39.09	17,639.8	16,356.9	7.84
National Debt	4,315.7	4,009.4	7.64	—	—	—	4.4	4.5	(1.40)	4,335.9	4,869.6	(10.96)
Credit institutions	29,858.2	31,512.5	(5.25)	15,347.7	16,480.6	(6.87)	5,058.8	6,036.1	(16.19)	37,621.5	26,244.8	43.35
Securities portfolio	13,664.0	9,636.3	41.80	25,773.3	20,896.3	23.34	1,185.2	845.3	40.20	6,238.2	6,406.4	(2.63)
Fixed assets	3,037.1	2,979.6	1.93	1,384.6	1,435.7	(3.56)	58.9	52.9	11.18	149.6	128.0	16.94
Other asset accounts	7,979.3	7,466.7	6.86	10,129.1	9,567.1	5.87	331.8	468.5	(29.17)	8,205.0	8,081.6	1.53
<b>Total Assets/Liabilities</b>	<b>203,128.2</b>	<b>180,741.7</b>	<b>12.39</b>	<b>86,326.1</b>	<b>76,614.3</b>	<b>12.68</b>	<b>8,793.1</b>	<b>8,956.0</b>	<b>(1.82)</b>	<b>74,190.2</b>	<b>62,087.3</b>	<b>19.49</b>
Customer deposits	98,011.7	93,282.1	5.07	39,698.9	35,851.3	10.73	5,859.7	6,136.2	(4.51)	28,428.5	20,430.2	39.15
Negotiable securities	20,398.1	13,035.9	56.48	5,117.8	4,397.9	16.37	—	—	—	1,850.0	508.5	263.83
Subordinated liabilities	1,662.0	1,211.5	37.19	725.2	531.8	36.36	—	—	—	—	32.4	(100.00)
Credit institutions	42,624.1	39,501.3	7.91	29,764.1	25,414.3	17.12	1,636.5	1,405.6	16.43	25,556.4	20,477.1	24.80
Other liability accounts	28,387.8	23,874.2	18.91	7,087.3	6,785.1	4.45	776.6	821.2	(5.44)	16,663.8	19,073.5	(12.63)
Allocated capital	12,044.6	9,836.9	22.44	3,932.9	3,633.9	8.23	520.3	593.0	(12.25)	1,691.5	1,565.7	8.04
<b>Off balance sheet funds</b>	<b>68,863.6</b>	<b>61,716.8</b>	<b>11.58</b>	<b>31,736.3</b>	<b>27,765.0</b>	<b>14.30</b>	<b>23,767.8</b>	<b>18,387.1</b>	<b>29.26</b>	<b>1,067.7</b>	<b>1,034.0</b>	<b>3.25</b>
Investment funds	58,788.6	53,066.9	10.78	14,385.3	12,258.3	17.35	19,166.5	14,735.2	30.07	438.5	441.7	(0.71)
Pension plans	7,540.4	6,842.4	10.20	13,356.7	11,972.5	11.56	134.0	104.3	28.47	628.8	575.6	9.25
Assets managed	2,534.6	1,807.5	40.23	3,994.3	3,534.2	13.02	4,467.2	3,547.7	25.92	0.4	16.8	(97.90)
<b>Customer funds managed</b>	<b>188,935.3</b>	<b>169,246.3</b>	<b>11.63</b>	<b>77,278.1</b>	<b>68,545.9</b>	<b>12.74</b>	<b>29,627.5</b>	<b>24,523.4</b>	<b>20.81</b>	<b>31,346.2</b>	<b>22,005.1</b>	<b>42.45</b>
<b>Total funds managed</b>	<b>271,991.7</b>	<b>242,458.6</b>	<b>12.18</b>	<b>118,062.4</b>	<b>104,379.2</b>	<b>13.11</b>	<b>32,560.9</b>	<b>27,343.2</b>	<b>19.08</b>	<b>75,257.9</b>	<b>63,121.3</b>	<b>19.23</b>

## European Retail Banking

European Retail Banking evolved well in all units which have progressed in their policy of income growth with cost containment. The ordinary margin in the area increased by 9.4% and general plus personnel expenses increased just 1.5%. This is reflected in an increase of 17.7% in the operating margin and 20.4% in attributed net profit. Furthermore, efficiency improved by 3.3 percentage points to 42.5%:

1. In Spain, Santander Central Hispano Retail Banking maintained high activity levels in key businesses (business lending, mortgages, funds and insurance) which offset pressure on margins until reaching a final quarter with historic maxima in terms of income, operating margin and profit. The cumulative increase of 6.1% in income with stable costs permitted the operating margin and attributed net profit to increase by 12.2% and 12.4% respectively in relation to 2003.
2. Banesto continued to show a high rate of lending activity in Spain (+23%, eliminating the effect of securitisations), with an increase in income close to two digits and cost stability. This enabled the operating margin to increase 17.8% and attributed net profit to increase 23.7% before the extraordinary net charge of €70 million made in respect of pensions, which in distribution between Group business areas has been allocated to the Financial Management and Holdings area.

A contribution was made to these achievements in both cases by growth in key business segments, a high capacity for innovation, strict cost controls and suitable risk management.

3. Santander Consumer maintained strong organic growth rates in results and activities. In 2004, attributed net profit increased to €359.0 million, with an increase of 37.5% with constant perimeter, increasing to 44.9% with the new incorporations (acquisition to 100% of the Italy business and inclusion into consolidation of PTF in Poland, Elcon in Norway and Abfin in the Netherlands).
4. In Portugal, in an economic environment of continuing low growth, retail banking activities of the Group showed increases in margin and commissions with lower personnel expenses and overheads, which enabled efficiency to be improved by more than 4 percentage points and increased attributed net profit by 17.2% over 2003, at €249.9 million. Including the activities of the global areas, attributed net profit of the Group in Portugal was €289.5 million, an increase of 15.3% compared with 2003.



Details are shown below of the most significant balance sheets and profit and loss account headings for the European Retail Banking business unit:

### Santander Central Hispano Retail Banking

Millions of euros

	2004	2003	Variation	
			Absolute	(%)
<b>Profit/Loss</b>				
<b>Intermediary's margin</b> .....	<b>2,005.5</b>	<b>2,064.8</b>	<b>(59.3)</b>	<b>(2.87)</b>
Net commissions .....	1,487.2	1,316.0	171.2	13.01
<b>Basic margin</b> .....	<b>3,492.6</b>	<b>3,380.9</b>	<b>111.7</b>	<b>3.30</b>
Profit/Loss from financial operations .....	146.7	50.8	95.9	188.78
<b>Ordinary margin</b> .....	<b>3,639.3</b>	<b>3,431.7</b>	<b>207.6</b>	<b>6.05</b>
General administrative expenses .....	(1,565.5)	(1,559.2)	(6.3)	0.40
a) Operating .....	(1,164.9)	(1,186.3)	21.4	(1.80)
Personnel .....	(975.2)	(987.0)	11.8	(1.20)
Other administrative expenses .....	(189.7)	(199.3)	9.6	(4.82)
b) Indirect .....	(400.6)	(373.0)	(27.6)	7.40
Depreciation of fixed assets .....	(174.3)	(178.1)	3.8	(2.13)
Other operating profit/loss .....	(39.9)	(36.9)	(3.0)	8.13
<b>Operating margin</b> .....	<b>1,859.6</b>	<b>1,657.5</b>	<b>202.1</b>	<b>12.19</b>
Net profit/loss from placing in equivalence .....	—	—	—	—
Net insolvency provisions .....	(425.7)	(371.7)	(54.0)	14.53
Other results .....	14.1	3.6	10.5	291.67
<b>Pre-tax profit</b> .....	<b>1,448.0</b>	<b>1,289.4</b>	<b>158.6</b>	<b>12.30</b>
<b>Consolidated net profit</b> .....	<b>1,041.4</b>	<b>927.7</b>	<b>113.7</b>	<b>12.26</b>
<b>Net profit attributed to the Group</b> .....	<b>1,041.4</b>	<b>926.5</b>	<b>114.9</b>	<b>12.40</b>
<b>Balance sheet</b>				
	<b>2004</b>	<b>2003</b>	<b>Variation</b>	
			<b>Absolute</b>	<b>(%)</b>
Customer lending (net) .....	66,837.3	60,012.4	6,824.9	11.37
National Debt .....	—	—	—	—
Credit institutions .....	91.7	21.5	70.2	326.51
Securities portfolio .....	1.0	1.1	(0.1)	(9.09)
Fixed assets .....	1,599.4	1,612.2	(12.8)	(0.79)
Other asset accounts .....	784.8	866.8	(82.0)	(9.46)
<b>Total Assets/Liabilities</b> .....	<b>69,314.1</b>	<b>62,513.9</b>	<b>6,800.2</b>	<b>10.88</b>
Customer deposits .....	42,652.9	42,426.9	226.0	0.53
Negotiable securities .....	2,248.6	387.5	1,861.1	480.28
Subordinated liabilities .....	—	—	—	—
Credit institutions .....	14.5	332.6	(318.1)	(95.64)
Other liability accounts .....	18,844.3	14,724.4	4,119.9	27.98
Allocated capital .....	5,553.8	4,642.5	911.3	19.63
<b>Off balance sheet funds</b> .....	<b>47,384.8</b>	<b>42,654.8</b>	<b>4,730.0</b>	<b>11.09</b>
Investment funds .....	42,141.5	37,888.7	4,252.8	11.22
Pension plans .....	5,243.3	4,766.2	477.1	10.01
Assets managed .....	—	—	—	—
<b>Customer funds managed</b> .....	<b>92,286.3</b>	<b>85,469.2</b>	<b>6,817.1</b>	<b>7.98</b>
<b>Total funds managed</b> .....	<b>116,698.9</b>	<b>105,168.8</b>	<b>11,530.1</b>	<b>10.96</b>



Details are shown below of the most significant balance sheet and profit and loss account headings of the “Banesto” business unit:

<b>Banesto</b>				
Millions of euros				
			<b>Variation</b>	
	<b>2004</b>	<b>2003</b>	<b>Absolute</b>	<b>(%)</b>
<b>Profit/Loss</b>				
<b>Intermediary’s margin</b> .....	<b>1,142.8</b>	<b>1,058.9</b>	<b>83.9</b>	<b>7.92</b>
Net commissions .....	502.4	462.4	40.0	8.65
<b>Basic margin</b> .....	<b>1,645.1</b>	<b>1,521.2</b>	<b>123.9</b>	<b>8.14</b>
Profit/Loss from financial operations .....	74.5	57.1	17.4	30.47
<b>Ordinary margin</b> .....	<b>1,719.6</b>	<b>1,578.4</b>	<b>141.2</b>	<b>8.95</b>
General administrative expenses .....	(783.9)	(764.8)	(19.1)	2.50
a) Operating .....	(755.7)	(738.6)	(17.1)	2.32
Personnel .....	(557.7)	(545.2)	(12.5)	2.29
Other administrative expenses .....	(198.0)	(193.4)	(4.6)	2.38
b) Indirect .....	(28.2)	(26.2)	(2.0)	7.63
Depreciation of fixed assets .....	(97.7)	(101.1)	3.4	(3.36)
Other operating profit/loss .....	(22.1)	(19.9)	(2.2)	11.06
<b>Operating margin</b> .....	<b>815.9</b>	<b>692.6</b>	<b>123.3</b>	<b>17.80</b>
Net profit/loss from placing in equivalence .....	91.0	74.4	16.6	22.31
Net insolvency provisions .....	(199.9)	(171.4)	(28.5)	16.63
Other profit/loss .....	54.4	27.1	27.3	100.74
<b>Pre-tax profit</b> .....	<b>761.5</b>	<b>622.7</b>	<b>138.8</b>	<b>22.29</b>
<b>Consolidated net profit</b> .....	<b>533.6</b>	<b>436.4</b>	<b>97.2</b>	<b>22.27</b>
<b>Net profit attributed to the Group</b> .....	<b>470.1</b>	<b>379.9</b>	<b>90.2</b>	<b>23.74</b>
<b>Balance sheet</b>				
	<b>2004</b>	<b>2003</b>	<b>Absolute</b>	<b>(%)</b>
Customer lending (net) .....	39,540.1	31,250.3	8,289.8	26.53
National Debt .....	4,315.7	4,009.4	306.3	7.64
Credit institutions .....	13,364.2	12,627.5	736.7	5.83
Securities portfolio .....	3,869.0	4,243.2	(374.2)	(8.82)
Fixed assets .....	783.5	785.8	(2.3)	(0.29)
Other asset accounts .....	4,610.5	4,479.4	131.1	2.93
<b>Total Assets/Liabilities</b> .....	<b>66,483.1</b>	<b>57,395.7</b>	<b>9,087.4</b>	<b>15.83</b>
Customer deposits .....	30,994.3	28,637.0	2,357.3	8.23
Negotiable securities .....	11,400.8	5,658.3	5,742.5	101.49
Subordinated liabilities .....	1,243.0	762.1	480.9	63.10
Credit institutions .....	13,076.8	13,873.0	(796.2)	(5.74)
Other liability accounts .....	6,749.1	5,858.1	891.0	15.21
Capital and reserves of the Group .....	3,019.1	2,607.2	411.9	15.80
<b>Off-balance sheet funds</b> .....	<b>13,108.2</b>	<b>11,745.7</b>	<b>1,362.5</b>	<b>11.60</b>
Investment funds .....	11,398.9	10,330.5	1,068.4	10.34
Pension plans .....	1,326.6	1,190.4	136.2	11.44
Assets managed .....	382.6	224.8	157.8	70.20
<b>Customer funds managed</b> .....	<b>56,746.3</b>	<b>46,803.1</b>	<b>9,940.1</b>	<b>21.24</b>
<b>Total funds managed</b> .....	<b>79,591.3</b>	<b>69,141.3</b>	<b>10,450.0</b>	<b>15.11</b>

## Latin American Retail Banking

Latin American Retail Banking earned attributed net profit of €1,038.6 million in 2004, a year-on-year variation of -2.4% (+7.4% without the exchange rate effect). Net profit, not affected by changes in the holdings of minority shareholders, increased by 0.22% (9.8% without exchange rate effect). If we add to the attributed net profit from retail banking that deriving from the rest of the businesses carried out by the Group in Latin America, attributed net profit was €1,284.8 million, 2.6% lower than in 2003, or 6.6% higher without the exchange rate effect.

1. Brazil showed significant growth in the retail business with the focus on lending (+37% year-on-year, in local currency) and in investment funds (+10% in local currency). This permitted an increase in the intermediary's margin and commissions, offsetting the impact of the fall in interest rates and increasing the basic margin in euros by 16.3%.

Nevertheless, attributed profit was €684.9 million (-2.3%), affected by the lower income from financial operations and increased expenses of retail operations. Profit was U.S. \$850.0 million, an increase of 7.4%.

2. In Mexico, the operating margin increased by 12.6% in euros, helped by high growth in lending, particularly amongst individuals and businesses, higher commissions and a reduction in personnel expenses and overheads which offset lower financial income.

The increase in insolvency provisions in 2004 (in 2003 funds were released) and in minorities in 2004 meant that attributed net profit, of €331.7 million, fell by 18.4% with respect to 2003 (U.S. \$411.7 million, -10.3%).

3. In Chile, the recovery in activity, particularly in lending, and the increase in commissions counteracted the impact of lower interest rates to show year-on-year growth in euros in all margins. Furthermore, write-offs at more normal levels placed attributed net profit for the year at €271.0 million, an increase of 11.3% over 2003 (U.S. \$336.3 million, +22.3%).
4. Puerto Rico and Colombia also achieved substantial profit increases. With respect to Argentina, the improvement in economic and financial prospects in 2004 made it advisable to apply the fund created in previous years to the coverage of shortfalls in provisions arising when applying Spanish principles to the accounting of the Argentinean subsidiaries. With this adjustment Group assets in Argentina were written down in accordance with Spanish standards, and profit has ceased to be neutralised, making a positive contribution in the country in the year.

The following tables show details of the most relevant figures in this area:

Customer lending (gross) Millions of euros	Variation (%)			
	2004	2003	Total	without exchange rate
Brazil . . . . .	6,026.7	4,357.6	38.30	36.54
Mexico . . . . .	10,055.1	8,899.4	12.99	21.36 (*)
Chile . . . . .	10,325.0	8,824.6	17.00	18.77
Puerto Rico . . . . .	4,105.6	4,083.8	0.53	8.42
Venezuela . . . . .	1,408.9	924.1	52.47	97.32
Rest . . . . .	3,257.6	2,658.0	22.56	26.10
<b>Total . . . . .</b>	<b>35,179.0</b>	<b>29,747.6</b>	<b>18.26</b>	<b>23.82</b>

(\*) excluding FOBAPROA promissory note: +27%

<b>Customer funds on balance sheet</b>			<b>Variation (%)</b>	
<b>Millions of euros</b>			<b>Total</b>	<b>without exchange rate</b>
	<b>2004</b>	<b>2003</b>		
Brazil .....	7,089.7	5,586.4	26.91	25.29
Mexico .....	16,556.4	15,657.8	5.74	13.70
Chile .....	11,501.7	10,368.8	10.93	12.60
Puerto Rico .....	3,836.4	3,465.0	10.72	19.41
Venezuela .....	3,172.7	2,503.6	26.72	64.00
Rest .....	3,384.9	3,199.3	5.80	9.59
<b>Total .....</b>	<b>45,541.8</b>	<b>40,781.0</b>	<b>11.67</b>	<b>18.26</b>

<b>Investment funds</b>			<b>Variation (%)</b>	
<b>Millions of euros</b>			<b>Total</b>	<b>without exchange rate</b>
	<b>2004</b>	<b>2003</b>		
Brazil .....	6,973.4	6,275.3	11.12	9.70
Mexico .....	4,071.6	3,362.4	21.09	30.07
Chile .....	1,920.7	1,488.3	29.05	31.01
Puerto Rico .....	1,006.1	817.3	23.10	32.76
Venezuela .....	3.3	3.7	(11.99)	13.90
Rest .....	410.2	311.2	31.79	39.15
<b>Total .....</b>	<b>14,385.3</b>	<b>12,258.3</b>	<b>17.35</b>	<b>20.16</b>

<b>Pension plans</b>			<b>Variation (%)</b>	
<b>Millions of euros</b>			<b>Total</b>	<b>Without exchange rate</b>
	<b>2004</b>	<b>2003</b>		
Mexico .....	2,591.0	2,427.5	6.73	14.64
Chile .....	5,091.0	4,432.5	14.86	16.59
Rest .....	5,674.7	5,112.4	11.00	14.18
<b>Total .....</b>	<b>13,356.7</b>	<b>11,972.5</b>	<b>11.56</b>	<b>15.17</b>

### **Asset Management, Private Banking and Global Wholesale Banking**

With respect to the global areas (Asset Management, Private Banking and Global Wholesale Banking), activities were carried out aimed at increasing their capacity for generating income and profit, either directly or through retail networks. Overall these areas contributed €682.2 million of attributed net profit, an increase of 25.1% over 2003. It must further be emphasised that not all income originating in the global areas is recorded here but a substantial part of it is included in the retail network. In this respect, in 2004 the generation of more business and commissions was made possible in Retail Banking through the design of new products with high added value (such as the commercialisation of derivatives to customers and the consolidation of gains, for example) and the boost given to the insurance business).

### **Financial Management and Holdings**

This area takes in a broad series of centralised activities which can be structured into three sub-areas:

- Holdings: centralising the management of financial and industrial holdings.

In 2004, attributed net profit from financial holdings in Europe was €779.0 million, more than doubling the figure for 2003. This increase was based on the increase in “placing in equivalence” (principally from the increased contribution of Royal Bank of Scotland), and in the higher capital gains obtained from the sale of 2.5% of Royal Bank of Scotland.

Industrial holdings earned attributed net profit of €459.9 million in 2004, 21.5% more than in 2003. The difference is basically due to the increase in capital gains realised last year (the principal sales were 0.46% of Vodafone, 1% of Unión Fenosa and 3.1% of Sacyr-Vallehermoso). In 2003, sales were recorded of 20.21% of Antena 3 TV, 0.51% of Vodafone and 28.35% of Home Mart.

With respect to investments in 2004, 4% was acquired of AUNA OPERADORES DE TELECOMUNICACIONES, S.A.

Latent gains in industrial holdings at the end of the 2004 financial year are estimated at €2,400 million.

- Financial management: carrying out the functions of managing the structural exchange rate position, the ALCO portfolio of the parent company and issues and securitisations in response to liquidity and own funds requirements.

All capital and reserves are also handled in this business area, along with the provision of capital made to each unit and the financing cost of investments made.

In addition, certain specific provisions of a centralised nature are included (pensions of the parent company), country-risk and advance goodwill.

- Projects in creation/liquidation: this area also includes, always on a temporary basis, businesses in the process of liquidation or closure in order not to distort the remaining businesses. By way of exception, the launch of a particular business or strategic project may be included in this Section. In this financial year the principal matter included here is the development of Partenón.

Details are shown below of the most significant balance sheet and profit and loss account headings in this area:

<b>Financial management and holdings</b>				
Millions of euros				
	<b>2004</b>	<b>2003</b>	<b>Variation 2004 / 2003</b>	
			<b>Absolute</b>	<b>(%)</b>
<b>Profit/Loss</b>				
Intermediary's margin (without dividends) . . . . .	(621.1)	(434.6)	(186.5)	42.91
Dividends . . . . .	410.5	321.8	88.7	27.56
<b>Intermediary's margin</b> . . . . .	<b>(210.5)</b>	<b>(112.7)</b>	<b>(97.8)</b>	<b>86.72</b>
Net commissions . . . . .	(0.6)	11.4	(12.0)	—
<b>Basic margin</b> . . . . .	<b>(211.1)</b>	<b>(101.3)</b>	<b>(109.8)</b>	<b>108.37</b>
Profit/Loss from financial operations . . . . .	368.2	217.5	150.7	69.27
<b>Ordinary margin</b> . . . . .	<b>157.1</b>	<b>116.2</b>	<b>40.9</b>	<b>35.19</b>
General administrative expenses . . . . .	(134.2)	(114.6)	(19.6)	17.11
a) Operating . . . . .	(128.0)	(108.9)	(19.1)	17.50
<i>Personnel</i> . . . . .	(30.5)	(16.8)	(13.7)	81.07
<i>Other administrative expenses</i> . . . . .	(97.5)	(92.1)	(5.4)	5.88
b) Indirect . . . . .	(6.2)	(5.7)	(0.5)	9.56
Depreciation of fixed assets . . . . .	(35.9)	(59.4)	23.5	(39.69)
Other operating profit/loss . . . . .	6.4	(4.5)	10.8	—
<b>Operating margin</b> . . . . .	<b>(6.5)</b>	<b>(62.3)</b>	<b>55.8</b>	<b>(89.48)</b>
Net profit/loss from placing in equivalence . . . . .	367.6	258.7	108.9	42.09
Net insolvency provisions . . . . .	(333.3)	(212.7)	(120.6)	56.68
Other results . . . . .	(263.6)	1,615.8	(1,879.4)	—
Accelerated depreciation of goodwill . . . . .	(153.8)	(1,719.2)	1,565.4	(91.06)
<b>Pre-tax profit (cash-basis*)</b> . . . . .	<b>(389.6)</b>	<b>(119.6)</b>	<b>(270.0)</b>	<b>225.67</b>
<b>Consolidated net profit (cash-basis*)</b> . . . . .	<b>12.2</b>	<b>128.6</b>	<b>(116.4)</b>	<b>(90.52)</b>
<b>Net profit attributed to the Group (cash-basis*)</b> . . . . .	<b>(240.5)</b>	<b>(237.9)</b>	<b>(2.6)</b>	<b>1.08</b>

	2004	2003	Variation 2004 / 2003	
			Absolute	(%)
<b>Balance sheet</b>				
National Debt, State Bonds and others	6,959.4	22,224.4	(15,265.0)	(68.69)
Securities portfolio	16,848.0	21,891.1	(5,043.0)	(23.04)
Goodwill	16,951.8	7,379.5	9,572.3	129.72
Liquidity provided to the Group	24,052.1	23,986.1	66.0	0.28
Capital provision to the rest of the Group	20,452.0	15,629.5	4,822.5	30.86
Other asset accounts	19,177.1	13,991.6	5,185.5	37.06
<b>Total Assets/Liabilities</b>	<b>104,440.5</b>	<b>105,102.1</b>	<b>(661.6)</b>	<b>(0.63)</b>
Temporary assignment of assets	698.4	23,393.2	(22,694.8)	(97.01)
Negotiable securities	26,066.9	26,499.0	(432.1)	(1.63)
Subordinated liabilities	10,488.5	9,445.4	1,043.1	11.04
Preference shares	3,814.2	3,984.4	(170.2)	(4.27)
Other liability accounts	32,613.2	24,582.8	8,030.4	32.67
Capital and reserves of the Group	30,759.4	17,197.3	13,562.1	78.86
<b>Off balance sheet funds</b>	—	—	—	—
Investment funds	—	—	—	—
Pension plans	—	—	—	—
Assets managed	—	—	—	—
<b>Customer funds managed</b>	<b>38,398.8</b>	<b>39,580.2</b>	<b>(1,181.3)</b>	<b>(2.98)</b>
<b>Total funds managed</b>	<b>104,440.5</b>	<b>105,102.1</b>	<b>(661.6)</b>	<b>(0.63)</b>
<b>Operating resources</b>				
Number of employees (direct + attributed)	359	271	88.0	32.47%

(\*) Before ordinary depreciation of goodwill.

The following tables show the contribution of industrial and financial holdings in Europe to consolidated results:

Financial holdings	2004	2003	Variation 2004 / 2003	
			Absolute	(%)
Millions of euros				
<b>Profit/Loss</b>				
Contribution to profit/loss*	377.0	242.3	134.7	55.59
Cost of financing	(86.4)	(82.5)	(3.9)	4.73
<b>Margin</b>	<b>290.6</b>	<b>159.9</b>	<b>130.7</b>	<b>81.74</b>
Operating costs	(3.1)	(2.3)	(0.8)	34.78
Profit/loss from disposals and others	464.4	125.2	339.2	270.93
<b>Pre-tax profit</b>	<b>751.9</b>	<b>282.7</b>	<b>469.2</b>	<b>165.97</b>
<b>Net profit attributed to the Group</b>	<b>779.0</b>	<b>331.7</b>	<b>447.3</b>	<b>134.85</b>

(\*) Includes dividends received and profit/loss from placing in equivalence of holdings.

Industrial holdings	2004	2003	Variation 2004 / 2003	
			Absolute	(%)
Millions of euros				
<b>Profit/Loss</b>				
Contribution to profit/loss*	402.2	356.9	45.3	12.69
Cost of financing	(83.6)	(85.5)	1.9	(2.22)
<b>Margin</b>	<b>318.6</b>	<b>271.3</b>	<b>47.3</b>	<b>17.43</b>
Operating costs	(15.8)	(17.9)	2.1	(11.73)
Profit/loss from disposals and others	248.2	196.7	51.5	26.18
<b>Pre-tax profit</b>	<b>551.1</b>	<b>450.2</b>	<b>100.9</b>	<b>22.41</b>
<b>Net profit attributed to the Group</b>	<b>459.9</b>	<b>378.5</b>	<b>81.4</b>	<b>21.51</b>

(\*) Includes dividends received and results from placing holdings in equivalence.

## ***Information regarding Abbey***

### *Completion of the acquisition process and initial steps*

After receiving authorisations from the European Commission from the competition point of view, from the British and Spanish regulators, and ratification by the British judicial authorities of the Scheme of Arrangement, on 12 November 2004 the Bank implemented the issue of 1,485,893,636 shares in the amount of €12,541 million necessary to acquire ABBEY NATIONAL PLC, and which converted the former shareholders of Abbey into shareholders of the Bank.

This capital increase ended the process which commenced on 26 July 2004 with announcement by the Santander Group of the friendly bid to acquire Abbey with the agreement of their respective Boards of Directors.

After the acquisition of Abbey, Lord Burns was ratified as Chairman of the Board of Abbey, Mr. Francisco Gómez Roldán, up to that time Financial Director of the Santander Group, was appointed Managing Director, and Mr. Keith Woodley, Director of Abbey, was appointed Chairman of the Audit Committee. In addition, four executives from the Santander Group were appointed member directors of Abbey representing the holding of the Bank: Mr. Juan Rodríguez Inciarte as non-executive Deputy Chairman, Mr. José María Fuster, Mr. Antonio Horta and Mr. José María Carballo.

Since the acquisition a series of measures have been taken aimed at achieving the announced cost and income synergies and in short creating value for the Group and its shareholders. These in particular include:

- Finalisation of the internal and external audit processes of the institution and its principal businesses (banking, asset management and insurance)
- Review of principal aspects of the business and support areas by seven specific teams supported by specialists from the Group. This analysis reaffirmed the Group's synergy objectives. On completing their work, the teams transferred their functions to the respective business areas, except for costs and insurance.
- Creation of a new more dynamic and flexible organisational structure. Three new divisions were created, the first two restructuring the basic Abbey business: firstly, the Retail Banking Division, which takes in the former sales and marketing divisions, secondly Insurance and Asset Management, which takes in both businesses as an indication of the importance of these markets to Abbey. The third division which was created is Manufacturing, by merger of the former Technology and Customer Operations Divisions, which will be responsible for overall management of costs and the operating efficiency of the bank.

Abbey was thereby organised in the following manner:

- Business divisions: Retail and Marketing, Insurance and Asset Management, and Abbey Financial Markets.
- Support divisions: Human Resources, Manufacturing, Finance and Risk.
- In addition, a new Executive Committee was defined, consisting of the Managing Director and heads of the business and support areas. It meets weekly to monitor business and programmed action plans.

### *Integration of Abbey into the Santander Group*

Abbey was incorporated into Santander Group accounting on 31 December 2004, consequently with an impact solely on the balance sheet of the Group annual financial statements and not on its profit and loss account.

As a result of this integration there were significant changes in the Group balance sheet which in particular include:

- A change in the geographical distribution of balances managed, providing a much more diversified structure for the business and lower risk profile.

The weight of lending recorded in Continental Europe accounts for 49% of the Group total, 40% is located in the United Kingdom and 10% in Latin America (only 3% in non-investment-grade countries). With respect to customer funds managed, 49% are located in Continental Europe, 32% in the United Kingdom and 15% in Latin America.

- The entry of 931 millions in doubtful lending (73% thereof with mortgage security). The Abbey default rate is 0.67%, and therefore the default rate of the Group is 1.05% (compared to 1.27% without Abbey). The coverage ratio is situated at 185%, compared to 208% for the Group without Abbey.
- Goodwill was generated of €10,264 million, now calculated in accordance with the NIIFs.

Contribution of ABBEY NATIONAL PLC to the Santander Group (\*)

Millions of euros	Balance 2004	% of total Group (including Abbey)
Total assets . . . . .	196,147.0	34.1
Lending (gross) . . . . .	137,710.4	40.2
Mortgages . . . . .	114,434.0	59.3
Customer funds managed . . . . .	172,437.2	32.0
On balance sheet . . . . .	157,896.5	39.7
Off balance sheet . . . . .	14,540.7	10.4
Number of employees . . . . .	24,361	19.3
Number of branches . . . . .	730	7.3

(\*) In accordance with Spanish valuation and presentation principles.

A summary is shown below for information purposes of the balance sheet and profit and loss account of Abbey and its consolidated group in 2004, in accordance with UK GAAP (1) standards.

Millions of euros (1)	2004	2003
<b>Assets</b>		
Cash, central Banks, Treasury Bills and similar	3,467	2,937
Loans and advances to banks	14,394	10,152
Loans and advances to customers	132,211	133,143
Net investment in financial leases	1,628	3,651
Securities portfolio	33,843	45,348
Long term assurance business	4,210	3,224
Tangible fixed assets	3,670	3,969
Intangible fixed assets	450	484
Assets of long term assurance funds	38,553	40,204
Other assets	8,342	7,706
<b>Total assets</b>	<b>240,767</b>	<b>250,816</b>
<b>Liabilities</b>		
Deposits by banks	26,116	31,392
Customer accounts	111,844	105,563
Debt securities in issue	31,162	35,236
Subordinated liabilities including convertible debt and other long term capital instruments	8,627	10,044
Long term assurance fund liabilities	38,553	40,204
Other liabilities	16,755	20,027
Minority interests — non-equity	726	786
Own funds — non equity	896	897
Own funds — equity	6,088	6,667
<b>Total liabilities</b>	<b>240,767</b>	<b>250,816</b>

(1) This information was obtained from Abbey's audited financial reports set out in pounds sterling. These figures have been converted into euros for the purpose of this listing prospectus.



Profit and Loss Account of Abbey National Group (UK GAAP)

Millions of euros	2004	2003
<b>Net interest income</b>	<b>2,257</b>	<b>2,981</b>
Non-financial income	1,643	535
<b>Ordinary margin</b>	<b>3,900</b>	<b>3,516</b>
Administration expenses and depreciation of fixed assets	(3,147)	(3,074)
Amortisation and impairment of goodwill	(29)	(55)
Depreciation and impairment on operating leasing assets	(223)	(363)
Provisions for doubtful and bad debts	52	(685)
Provisions for contingent liabilities and commitments	(298)	(150)
Amount written off investments in fixed assets	118	(279)
<b>Operating profit/loss</b>	<b>372</b>	<b>(1,090)</b>
Income from holdings and associates	9	17
Profit on disposal of Group undertakings	68	129
Loss on sale or termination of an operation	(46)	(48)
<b>Profit/Loss before tax</b>	<b>403</b>	<b>(992)</b>
Tax profit/loss on ordinary activities	(212)	61
<b>Profit/Loss after tax</b>	<b>190</b>	<b>(931)</b>
Minority interests – non-equity	(72)	(80)
<b>Profit/Loss for the financial year attributable to the shareholders of ABBEY NATIONAL PLC</b>	<b>118</b>	<b>(1,011)</b>

(1) British accounting principles (“UK GAAP” standards) show a series of difference compared with Spanish accounting principles which affect both the presentation of financial statements and the valuation of operations. Some of them are summarised below:

*Own portfolio:* Is deducted from net worth.

*Derivative financial instruments:* Recognition of unrealised gains on dealing instruments is permitted. Implicit gains in other contracts are not separated in the accounts.

*Software for internal use:* Outlay is recorded as an expense even if acquired from third parties.

*Option schemes:* Their cost is recorded at reasonable value on the day on which the right is obtained and spread over the period of accrual of the options.

*Lending and insolvencies* Specific provisions for insolvency of each credit is calculated on the basis of an estimate of reasonable realisable value. The generic insolvency fund is calculated on the basis of past experience and current economic conditions. Dealing portfolio credits are valued at market, with their value adjusted against losses and gains.

*Preference shares:* These may be valued at historic exchange rates.

*Life insurance:* Contracts are valued on the basis of their intrinsic value, determined by actuarial estimates of the financial value of the insurer, excluding the value of its future operations.

*Securitisations:* The UK GAAP rules require consolidation of legal securitising vehicles and maintenance on balance sheet of credits sold when right of recourse is granted and credit servicing rights are not retained.

In addition, there are other differences such as:

- Classification and valuation of securities portfolio.

- Time spreading of various commissions.
- Accounting recognition of interim dividends.
- The recording of leasing operations.
- Recognition of taxes (deferred or otherwise).
- The write down of goodwill prior to 1 January 1998.

### 5.1.2. An indication of any significant new products and/or activities.

The Group is continuously incorporating new financial products in an attempt to satisfy its customers' needs and to maintain its competitive position within the financial services market.

In this regard, the Global Committee on New Group Products held 11 meetings in 2004 during which it analysed 70 products or product families. A total of 47 products were submitted for approval subject to the Financial Products Procedure Manual, 12 of which were analysed by the Global Committee and the remaining 35 of which were analysed by the Manual's Office.

Some of the more significant products from among those launched by the Bank in 2004 include: the "Hipoteca Super Oportunidad" mortgage, the "Tarjeta Única" credit card developed in conjunction with Repsol, and the "fondo de inversión Supergestión" mutual fund.

The Banesto products which performed the best during 2004 were those designed for SMEs and micro-companies. Among these, "Banespyme" aimed at SMEs did particularly well as a result of its successful combination of Banesto's advanced technology with a very specialised service.

The Bank's products that were most successful outside of Spain this year include its credit cards and the "conta ordenado" account at Portugal's Santander Totta, the "crédito Dinheiro Extra" loan in Brazil, the "Tarjeta Black" credit card and the "Crédito Ágil PYME" SME loan in Mexico, and the "Crédito de Consumo Flexible" consumer loan and the "Superhipoteca" mortgage in Chile.

### 5.1.3. Principal markets: A brief description of the principal markets in which the Guarantor competes.

The Santander Group is one of the principal financial groups in the Spanish banking sector. At 31 December 2004 it was the leading Spanish banking group in terms of total assets, customer lending (net), on balance sheet customer funds, net worth and profits.

(*)	<b>SANTANDER GROUP</b>	<b>Banco Bilbao Vizcaya Argentaria (BBVA)</b>
	<b>Millions of euros</b>	<b>Millions of euros</b>
TOTAL ASSETS .....	575,398	311,072
CUSTOMER LENDING (1) .....	335,208	170,248
ON BALANCE SHEET CUSTOMER FUNDS (2) .....	398,047	199,485
BOOK NET WORTH (3) .....	32,058	15,554
PROFIT FOR YEAR .....	3,668	3,192
- Net profit attributed to the Group .....	3,136	2,802

	<b>SANTANDER GROUP (**)</b>	<b>BBVA</b>
BANKING BRANCH NETWORK (4) .....	9,973	6,848
AVERAGE WORKFORCE (5) .....	103,699	84,117
<b>RATIOS (%):</b>		
- ROE .....	15.98	20.0
- Efficiency .....	47.44	44.9
- Level of default .....	1.05	0.95
- Coverage for default .....	184.61	247.2

(\*) According to data published by the institutions themselves and their respective annual notes to the accounts.

(\*\*) These figures are unaudited.

(1) Net of insolvency provision fund.

(2) On Balance Sheet Customer Funds = Customer Deposits + Debits represented by Negotiable Securities + Subordinated Liabilities.

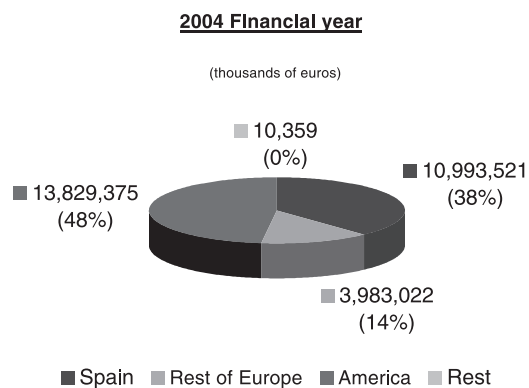
(3) Net of own shares and after applying profit and loss for the year. Does not include minority interests.

(4) In Spain and abroad.

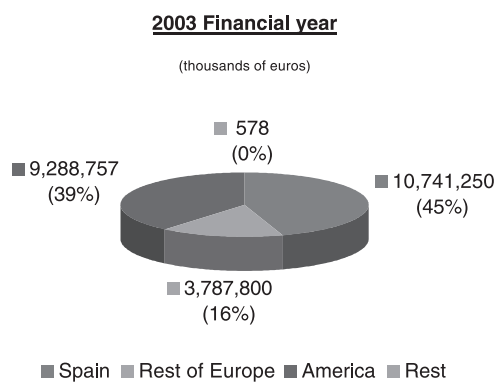
(5) Without Abbey.

The following charts illustrate the Group's income broken down by region, for the 2004, 2003 and 2002 financial years:

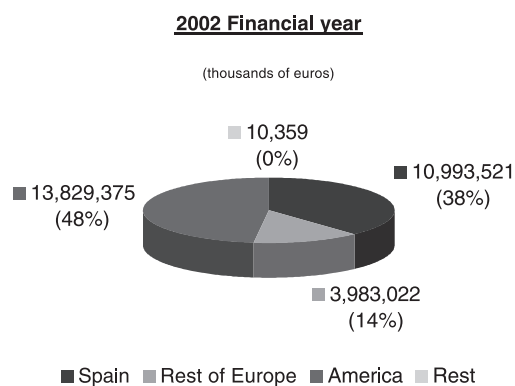
2004 Financial year (€25,570,495)



2003 Financial year (€23,818,385)



2002 Financial year (€28,816,277)



The following tables show details of the most significant items in the balance sheets and profit and loss accounts of the principal entities in the Santander Group at 31 December 2004.

This information is local and prepared by the different entities for the purpose of management information and Group consolidation and are unaudited.

<b>Banks in Spain and other European countries</b>						
Thousands of euros	Banco Santander Central Hispano		Banif		Santander Investment Services	
	2004	2003	2004	2003	2004	2003
<b>Profit/Loss</b>						
<b>Intermediary's margin</b>	<b>2,837,769</b>	<b>4,169,660</b>	<b>20,967</b>	<b>19,779</b>	<b>54,379</b>	<b>32,911</b>
Net commissions	1,547,055	1,301,821	83,596	71,704	121,280	141,901
<b>Basic margin</b>	<b>4,384,824</b>	<b>5,471,481</b>	<b>104,563</b>	<b>91,483</b>	<b>175,659</b>	<b>174,812</b>
Profit/Loss from financial operations	690,285	(1,487,126)	4,034	3,907	3,631	1,559
<b>Ordinary margin</b>	<b>5,075,109</b>	<b>3,984,355</b>	<b>108,597</b>	<b>95,390</b>	<b>179,290</b>	<b>176,371</b>
General administrative expenses	(2,178,282)	(2,133,773)	(56,814)	(51,379)	(40,980)	(38,088)
<i>a) Personnel</i>	<i>(1,447,807)</i>	<i>(1,436,841)</i>	<i>(35,174)</i>	<i>(33,233)</i>	<i>(24,104)</i>	<i>(23,541)</i>
<i>b) Other administrative expenses</i>	<i>(730,475)</i>	<i>(696,932)</i>	<i>(21,640)</i>	<i>(18,146)</i>	<i>(16,876)</i>	<i>(14,547)</i>
Depreciation	(230,092)	(253,308)	(6,524)	(6,352)	(1,158)	(1,590)
Other operating profit/loss	(115,860)	(117,565)	(257)	(315)	(215)	(283)
<b>Operating margin</b>	<b>2,550,875</b>	<b>1,479,709</b>	<b>45,002</b>	<b>37,344</b>	<b>136,937</b>	<b>136,410</b>
Net profit/loss from placing in equivalence	—	—	—	—	—	—
Other profit/loss	(24,136)	542,702	1,348	(4,687)	(851)	—
Net provisions	(689,294)	(575,212)	(8,158)	(3,018)	539	752
Depreciation of goodwill	—	—	—	2,880	—	(2,260)
<b>Pre-tax profit</b>	<b>1,837,444</b>	<b>1,447,200</b>	<b>38,192</b>	<b>32,519</b>	<b>136,625</b>	<b>134,902</b>
<b>Net profit</b>	<b>1,837,424</b>	<b>1,445,033</b>	<b>22,716</b>	<b>22,217</b>	<b>106,777</b>	<b>97,234</b>
Minority interests	—	—	—	—	—	—
<b>Net profit attributed to the Group</b>	<b>1,837,424</b>	<b>1,445,033</b>	<b>22,716</b>	<b>22,217</b>	<b>106,777</b>	<b>97,234</b>
<b>Balance Sheet</b>						
Customer lending	87,487,787	81,896,844	1,106,576	618,670	1,668,121	1,748,337
Credit institutions	44,790,816	58,241,650	2,012,975	2,273,266	5,389,844	2,788,616
Securities portfolio	52,225,478	40,448,822	48,605	38,416	136,718	153,051
Fixed assets	1,337,022	1,500,405	21,124	21,327	1,264	1,730
Other asset accounts	17,366,246	16,577,696	87,225	133,564	668,276	359,957
<b>Total Assets / Liabilities</b>	<b>203,207,349</b>	<b>198,665,417</b>	<b>3,276,505</b>	<b>3,085,243</b>	<b>7,864,223</b>	<b>5,051,691</b>
Customer deposits	82,804,580	82,792,758	2,367,662	2,213,021	2,570,238	2,206,014
Negotiable securities	18,668,056	11,932,465	—	—	2,499,000	—
Subordinated liabilities	14,142,545	13,280,712	—	—	—	—
Credit institutions	36,182,296	54,999,537	628,483	526,514	2,078,593	2,057,183
Other liability accounts	20,468,463	17,652,515	123,038	206,320	459,148	549,727
Capital and reserves of the Group*	30,941,409	18,007,429	157,322	139,388	257,244	238,767
<b>Off balance sheet funds</b>	<b>—</b>	<b>—</b>	<b>3,694,857</b>	<b>3,246,427</b>	<b>—</b>	<b>—</b>
Investment funds	—	—	2,300,056	2,032,568	—	—
Pension schemes	—	—	—	—	—	—
Assets managed	—	—	1,394,801	1,213,859	—	—
<b>Customer funds managed</b>	<b>115,615,181</b>	<b>108,005,935</b>	<b>6,062,519</b>	<b>5,459,448</b>	<b>5,069,238</b>	<b>2,206,014</b>
<b>Total funds managed</b>	<b>203,207,349</b>	<b>198,665,417</b>	<b>6,971,362</b>	<b>6,331,670</b>	<b>7,864,223</b>	<b>5,051,691</b>

(\* )Includes profit for the year

## Banks in Spain and other European countries

Thousands of euros	Santander Consumer Group		Santander Totta		Abbey Group (1)	
	2004	2003	2004	2003	2004	2003
<b>Profit/Loss</b>					Thousands of pounds sterling	
<b>Intermediary's margin</b> .....	<b>1,092,585</b>	<b>866,111</b>	<b>622,582</b>	<b>603,914</b>		
Net commissions .....	97,373	102,043	274,064	237,555		
<b>Basic margin</b> .....	<b>1,189,958</b>	<b>968,154</b>	<b>896,646</b>	<b>841,469</b>		
Profit/Loss from financial operations .....	33,720	46,523	26,306	26,949		
<b>Ordinary margin</b> .....	<b>1,223,678</b>	<b>1,014,677</b>	<b>922,952</b>	<b>868,418</b>		
General administrative expenses ....	(443,071)	(382,345)	(407,202)	(402,970)		
<i>a) Personnel</i> .....	<i>(207,649)</i>	<i>(196,013)</i>	<i>(261,862)</i>	<i>(261,882)</i>		
<i>b) Other administrative expenses</i> .....	<i>(235,422)</i>	<i>(186,332)</i>	<i>(145,340)</i>	<i>(141,088)</i>		
Depreciation .....	(33,762)	(27,995)	(60,564)	(56,712)		
Other operating profit/loss .....	(1,392)	583	19,912	23,555		
<b>Operating margin</b> .....	<b>745,453</b>	<b>604,920</b>	<b>475,098</b>	<b>432,291</b>		
Net profit/loss from placing in equivalence .....	22,184	13,757	7,440	4,273		
Other profit/loss .....	(19,740)	14,046	(8,323)	(42,695)		
Net provisions .....	(305,425)	(240,932)	(99,383)	(73,665)		
Depreciation of goodwill .....	(58,153)	(63,886)	—	—		
<b>Pre-tax profit</b> .....	<b>384,319</b>	<b>327,905</b>	<b>374,832</b>	<b>320,204</b>		
<b>Net profit</b> .....	<b>230,488</b>	<b>202,560</b>	<b>314,667</b>	<b>269,472</b>		
Minority interests .....	485	7,621	25,855	28,449		
<b>Net profit attributed to the Group</b> .....	<b>230,003</b>	<b>194,939</b>	<b>288,812</b>	<b>241,223</b>		
<b>Balance sheet</b>						
Customer lending .....	23,682,974	16,554,053	15,943,060	17,758,038	96,632,127	
Credit institutions .....	2,019,897	1,711,654	1,562,949	3,813,232	9,849,152	
Securities portfolio .....	319,555	72,065	9,842,499	5,508,740	29,595,264	
Fixed assets .....	140,565	101,870	467,665	436,250	2,694,199	
Other asset accounts .....	767,374	980,845	1,439,858	1,307,377	2,431,397	
<b>Total Assets / Liabilities</b> .....	<b>26,930,365</b>	<b>19,420,487</b>	<b>29,256,031</b>	<b>28,823,637</b>	<b>141,202,139</b>	
Customer deposits .....	11,596,486	9,429,827	13,848,624	13,535,395	84,608,471	
Negotiable securities .....	3,568,667	2,991,064	5,574,741	5,491,499	21,556,556	
Subordinated liabilities .....	328,442	312,027	549,749	671,270	5,159,871	
Credit institutions .....	8,219,470	4,521,848	6,056,787	5,933,055	18,171,415	
Other liability accounts .....	2,449,241	1,430,657	1,184,327	1,415,537	5,546,218	
Capital and reserves of the Group* .....	768,059	735,064	2,041,803	1,776,881	6,159,608	
<b>Off balance sheet funds</b> .....	—	—	—	—	<b>10,251,916</b>	
Investment funds .....	—	—	—	—	949,231	
Pension schemes .....	—	—	—	—	9,302,685	
Assets managed .....	—	—	—	—	—	
<b>Customer funds managed</b> .....	<b>15,493,595</b>	<b>12,732,918</b>	<b>19,973,114</b>	<b>19,698,164</b>	<b>121,576,814</b>	
<b>Total funds managed</b> .....	<b>26,930,365</b>	<b>19,420,487</b>	<b>29,256,031</b>	<b>28,823,637</b>	<b>151,454,055</b>	

(\*) Includes profit for the year.

(1) Consolidated in 2004 for balance sheet purposes only.

**Banks in Latin America**

	Banespa		Santander Serfin Financial Group		Santander Chile	
	2004	2003	2004	2003	2004	2003
	Thousands of Brazilian reais		Milliones of new pesos		Millions of Chilean pesos	
<b>Profit/Loss</b>						
<b>Intermediary's margin</b> .....	<b>3,157,363</b>	<b>2,650,502</b>	<b>11,836,450</b>	<b>9,574,252</b>	<b>447,718</b>	<b>425,632</b>
Net commissions .....	1,239,531	882,098	6,012,430	4,926,038	95,782	93,079
<b>Basic margin</b> .....	<b>4,396,895</b>	<b>3,532,600</b>	<b>17,848,880</b>	<b>14,500,290</b>	<b>543,500</b>	<b>518,711</b>
Profit/Loss from financial operations .....	205,326	30,227	368,753	940,941	27,942	31,018
<b>Ordinary margin</b> .....	<b>4,602,220</b>	<b>3,562,827</b>	<b>18,217,633</b>	<b>15,441,231</b>	<b>571,442</b>	<b>549,729</b>
General administrative expenses .....	(2,227,967)	(1,790,833)	(8,055,694)	(7,557,738)	(250,278)	(223,832)
<i>a) Personnel</i> .....	<i>(1,284,030)</i>	<i>(1,154,428)</i>	<i>(4,273,383)</i>	<i>(3,895,852)</i>	<i>(128,297)</i>	<i>(121,173)</i>
<i>b) Other administrative expenses</i> .....	<i>(943,937)</i>	<i>(636,405)</i>	<i>(3,782,311)</i>	<i>(3,661,886)</i>	<i>(121,982)</i>	<i>(102,659)</i>
Depreciation .....	(268,140)	(184,430)	(738,416)	(642,179)	(34,333)	(34,684)
Other operating profit/loss .....	(97,450)	(48,457)	(462,073)	314,119	(3,780)	(3,667)
<b>Operating margin</b> .....	<b>2,008,663</b>	<b>1,539,107</b>	<b>8,961,450</b>	<b>7,555,433</b>	<b>283,050</b>	<b>287,546</b>
Net profit/loss from placing in equivalence .....	—	—	(1,498)	112,883	—	—
Other profit/loss .....	196,455	684,851	(1,669,372)	(751,592)	27,769	22,545
Net provisions .....	(272,255)	(251,854)	(137,222)	(126,474)	(74,892)	(65,617)
Depreciation of goodwill .....	—	—	—	—	—	—
<b>Pre-tax profit</b> .....	<b>1,932,863</b>	<b>1,972,104</b>	<b>7,153,358</b>	<b>6,790,250</b>	<b>235,927</b>	<b>244,474</b>
<b>Net profit</b> .....	<b>1,757,331</b>	<b>1,780,070</b>	<b>6,009,095</b>	<b>6,176,471</b>	<b>198,002</b>	<b>207,043</b>
<b>Balance Sheet</b>						
Customer lending .....	7,954,313	5,667,102	121,583,497	94,579,020	7,500,888	6,504,270
Credit institutions .....	9,173,722	8,775,404	58,390,191	49,623,819	682,590	663,914
Securities portfolio .....	11,385,535	10,286,265	109,097,425	82,363,673	1,674,977	1,595,941
Fixed assets .....	1,380,250	1,224,363	4,856,240	5,115,310	280,638	278,554
Other asset accounts .....	6,061,987	4,746,857	18,695,800	14,054,399	787,820	791,167
<b>Total Assets / Liabilities</b> .....	<b>35,955,807</b>	<b>30,699,991</b>	<b>312,623,153</b>	<b>245,736,221</b>	<b>10,926,913</b>	<b>9,833,846</b>
Customer deposits .....	11,683,152	11,461,014	74,015,963	69,921,493	6,838,404	5,756,630
Negotiable securities .....	675,909	—	128,325,847	101,202,057	1,500,677	1,581,406
Subordinated liabilities .....	—	—	1,118,647	—	537,019	401,651
Credit institutions .....	8,395,565	5,902,878	50,572,882	22,524,031	844,584	917,702
Other liability accounts .....	9,508,978	8,131,437	25,430,032	25,332,423	174,474	158,997
Capital and reserves of the Group* .....	5,692,203	5,204,662	33,159,782	26,756,217	1,031,754	1,017,460
(*) Includes profit for the year.						
<b>Exchange rate: Parity 1 euro = currency</b>						
Final .....	3.6177	3.6646	15.2279	14.1772	759.7110	748.3910
Average .....	3.6325	3.4593	14.0120	12.1770	756.6815	778.6707

Banks in Latin America	Santander Puerto Rico		Banco de Venezuela	
	2004	2003	2004	2003
	Thousands of US dollars		Millions of Bolivars	
<b>Profit/Loss</b>				
<b>Intermediary's margin</b> .....	<b>190,638</b>	<b>171,121</b>	<b>611,924</b>	<b>530,146</b>
Net commissions .....	29,292	25,182	200,855	132,575
<b>Basic margin</b> .....	<b>219,930</b>	<b>196,303</b>	<b>812,779</b>	<b>662,721</b>
Profit/Loss from financial operations .....	7,709	22,185	112,031	39,512
<b>Ordinary margin</b> .....	<b>227,639</b>	<b>218,488</b>	<b>924,810</b>	<b>702,233</b>
General administrative expenses .....	(143,588)	(142,546)	(383,257)	(295,225)
<i>a) Personnel</i> .....	(72,486)	(69,960)	(166,263)	(127,479)
<i>b) Other administrative expenses</i> .....	(71,102)	(72,586)	(216,993)	(167,746)
Depreciation .....	(12,392)	(17,301)	(42,289)	(42,326)
Other operating profit/loss .....	32,798	19,582	(30,730)	(19,263)
<b>Operating margin</b> .....	<b>104,457</b>	<b>78,223</b>	<b>468,534</b>	<b>345,419</b>
Net profit/loss from placing in equivalence .....	—	—	—	—
Other profit/loss .....	(8,054)	3,717	(77,414)	(49,605)
Net provisions .....	(26,660)	(49,745)	(30,071)	(19,628)
Depreciation of goodwill .....	(6)	(2,694)	—	—
<b>Pre-tax profit</b> .....	<b>69,737</b>	<b>29,501</b>	<b>361,049</b>	<b>276,186</b>
<b>Net profit</b> .....	<b>69,737</b>	<b>29,501</b>	<b>343,904</b>	<b>259,513</b>
<b>Balance Sheet</b>				
Customer lending .....	5,234,686	3,926,481	3,553,144	1,776,037
Credit institutions .....	646,336	561,822	2,525,496	2,295,883
Securities portfolio .....	2,067,766	1,700,784	2,713,964	1,319,351
Fixed assets .....	84,577	92,208	294,199	289,323
Other asset accounts .....	190,138	191,223	296,082	140,293
<b>Total Assets / Liabilities</b> .....	<b>8,223,503</b>	<b>6,472,518</b>	<b>9,382,884</b>	<b>5,820,887</b>
Customer deposits .....	4,562,790	3,893,312	7,983,103	4,903,229
Negotiable securities .....	660,381	358,870	—	—
Subordinated liabilities .....	—	—	—	—
Credit institutions .....	2,251,094	1,550,166	44,918	22,877
Other liability accounts .....	201,141	187,810	378,503	172,168
Capital and reserves of the Group * .....	548,097	482,360	976,359	722,613
(*) Includes profit for the year.				
<b>Exchange rate: Parity 1 euro= currency</b>				
Final .....	1.3621	1.2630	2,611.9630	2,018.2857
Average .....	1.2410	1.1293	2,336.1757	1,814.0590

5.1.4. *The basis for any statements in this Base Prospectus made by the Guarantor regarding its competitive position.*

See paragraph 5.1.3 above.



## 6 ORGANISATIONAL STRUCTURE

### 6.1 *If the Guarantor is part of a group, a brief description of the group and of the Guarantor's position within it.*

BANCO SANTANDER CENTRAL HISPANO, S.A. is the parent company of the Santander Group. At 31 December 2004 the Group was made up of 582 companies which were consolidated by the global integration methods, and 185 companies which were consolidated by the "placing in equivalence" method.

### 6.2 *If the Guarantor is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.*

Not Applicable.

## 7 TREND INFORMATION

### 7.1 *Include a statement that there has been no material adverse change in the prospects of the Guarantor since the date of its last published audited financial statements. In the event that the Guarantor is unable to make such a statement, provide details of this material adverse change.*

There has been no material adverse change in the prospects of the Guarantor since 31 December 2004.

### 7.2 *Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Guarantor's prospects for at least the current financial year.*

There is no known trend which could currently affect the Group. Nevertheless, the following is a description of certain factors which, if produced, could affect the prospects of the Group.

The European financial services sector will probably continue to be competitive and the number of financial service providers and alternative distribution channels will increase. It is also anticipated that there will be a process of consolidation in the sector (by mergers, acquisitions or alliances) since other large banks wish to increase their market share or combine with complementary businesses. It is foreseeable that regulatory changes will take place in the future which will reduce market barriers.

The principal trends, uncertainties and events are summarised below which could reasonably have an adverse material effect on the Bank or which could mean that the published financial information is not indicative of the operating results of the Group in the future or of its financial situation are summarised below:

- A fall in the property market and the consequent increase in mortgage repayment defaults.
- The recent increases in interest rates in the United States.
- Uncertainties relating to economic growth expectations, principally in the United States of America, Spain, United Kingdom, other European countries and Latin America, and the impact which they could have on interest and exchange rates.
- The effect which an economic slow-down could have on Latin America and fluctuations in interest and exchange rates.
- The possibility that changes in the macroeconomic environment may deteriorate credit quality of our customers.
- A possible downward trend in capital markets.
- A fall in the value of the euro against the US dollar, sterling or Latin American currencies.
- Inflationary pressure as a result of the effect which it could have in relation to increases in interest rates and reduction in growth.
- An increase in the consolidation of financial services in Europe.

- Although it is anticipated that entry barriers to local markets in Europe will be reduced, possible expansion plans of the Bank into other markets could be affected by regulatory requirements imposed by the national authorities of these countries.

## **8 PROFIT FORECASTS OR ESTIMATES**

*If a Guarantor chooses to include a profit forecast or a profit estimate this Base Prospectus must contain the information items 8.1 and 8.2.*

The Guarantor has not included a profit forecast or profit estimate in this Base Prospectus.

- 8.1. *A statement setting out the principal assumptions upon which the Guarantor has based its forecast, or estimate. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; be readily understandable by investors; be specific and precise; and not relate to the general accuracy of the estimates underlying the forecast.*

Not applicable.

- 8.2. *A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the Guarantor.*

Not applicable.

- 8.3. *The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.*

Not applicable.

## **9 ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES**

- 9.1. *Names, business addresses and functions in the Guarantor of the following persons, and an indication of the principal activities performed by them outside the Guarantor where these are significant with respect to the Guarantor:*

- members of the administrative, management or supervisory bodies;*
- partners with unlimited liability, in the case of a limited partnership with a share capital.*

The Articles of Association of the Bank (Article 30) provide that the maximum number of Directors is 30 and the minimum number 14. The Board of the Bank is presently made up of 19 directors.

The following table displays the composition, position and structure of the Board and its Committees.

The business address of each of the persons listed below is: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid.

Board of Directors	Executive Committee	Risk Committee	Audit and Compliance Committee	Appointments and Remuneration Committee	International Committee	Technology, Productivity and Quality Committee	Executive	External
Chairman Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	C				C	C		
First Deputy Chairman Mr. Fernando de Asúa Álvarez		V		C				I
Second Deputy Chairman and Managing Director Mr. Alfredo Sáenz Abad								
Third Deputy Chairman Mr. Matías Rodríguez Inciarte	C							
Fourth Deputy Chairman Mr. Manuel Soto Serrano			C					I
Members								
Assicurazioni Generali S.p.A. (represented by Mr. Antoine Bernheim)								D
Mr. Antonio Basagoiti García-Tuñón								
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea								
Mr. Emilio Botín-Sanz de Sautuola y O'Shea (1)								D
Me. Javier Botín-Sanz de Sautuola y O'Shea (2)								D
Lord Burns (Terence)								
Mr. Guillermo de la Dehesa Romero								I
Mr. Rodrigo Echenique Gordillo								
Mr. Antonio Escámez Torres								
Mr. Francisco Luzón López								
Mr. Abel Matutes Juan								I
Mutua Madrileña Automovilista (represented by Mr. Luis Rodríguez Durón)								D
Mr. Luis Ángel Rojo Duque								I
Mr. Luis Alberto Salazar-Simpson Bos								I
General Secretary and Board Secretary Mr. Ignacio Benjumea Cabeza de Vaca (3)								
Deputy General Secretary and Board Secretary Mr. Juan Guitard Marín (3)								

C: Chairman, V: Vice Chairman, D: Not Independent, I: Independent

- (1) External non-independent director representing own shareholding and that of Fundación Marcelino Botín.
- (2) External non-independent director representing own shareholding.
- (3) Not directors.

## Principal Activities outside the Guarantor

9.1 The current directors of the Bank at the date hereof carry out the following functions in other companies:

	Company Name	Functions
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	SHINSEI BANK LIMITED	Director
Mr. Fernando de Asúa Álvarez	IBM ESPAÑA, S.A. COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA) AIR LIQUIDE ESPAÑA, S.A. TÉCNICAS REUNIDAS, S.A. CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A.	Honorary President Director Director Director Director
Mr. Alfredo Sáenz Abad	COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA) AUNA OPERADORES DE TELECOMUNICACIONES, S.A. SAN PAOLO IMI SPA	Vice President Director Director
Mr. Matías Rodríguez Inciarte	BANCO ESPAÑOL DE CRÉDITO, S.A. FINANCIERA PONFERRADA, S.A. GRUPO CORPORATIVO ONO, S.A. OPERADOR DEL MERCADO IBERICO DE ENERGIA POLO ESPAÑOL, S.A.	Director Director Director Director
Mr. Manuel Soto Serrano	INDRA SISTEMAS, S.A. INVERSIONES INMOBILIARIAS LAR, S.A. CORTEFIEL, S.A. CORPORACIÓN FINANCIERA ALBA, S.A.	Vice President Director Director Director
Mr. Antoine Bernheim	ASSICURAZIONI GENERALI, S.P.A.	President (1)
Mr. Antonio Basagoiti García-Tuñón	UNIÓN FENOSA, S.A. GOLF LA MORALEJA, S.A. FAES FARMA, S.A. COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA) PESCANOVA, S.A.	Honorary President Vice President Vice President Director Director
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	BANCO ESPAÑOL DE CRÉDITO, S.A. INMOBILIARIA URBIS, S.A. ASSICURAZIONI GENERALI, S.P.A. GRUPO TELEVISIA, S.A.	Executive President Director Director Director
Mr. Emilio Botín-Sanz de Sautuola y O'Shea	PUENTE SAN MIGUEL, S.A. SWISSRISK	Sole Director President
Mr. Javier Botín-Sanz de Sautuola y O'Shea	M&B CAPITAL ADVISERS, SOCIEDAD DE VALORES, S.A.	Executive Director
Lord Burns (Terence)	GLAS CYMRU (WELSH WATER) PEARSON GROUP PLC BRITISH LAND PLC MARKS AND SPENCER GROUP PLC	President Director Director Vice President
Mr. Guillermo de la Dehesa Romero	CAMPOFRÍO ALIMENTACIÓN, S.A. UNIÓN-FENOSA, S.A. TELEPIZZA, S.A. AVIVA VIDA Y PENSIONES, S.A. DE SEGUROS Y REASEGUROS GOLDMAN SACHS EUROPE LTD AVIVA PLC LONDON CENTRE FOR ECONOMIC POLICY RESEARCH GROUP OF THIRTY WASHINGTON CONSEJO RECTOR DEL INSTITUTO DE EMPRESA	Director Director Director President Director Director Chairman Member President

	Company Name	Functions
Mr. Rodrigo Echenique Gordillo	CONSEJO ECONÓMICO SOCIAL DE LA UNIVERSIDAD CARLOS III INVERSIONES INMOBILIARIAS LAR, S.A.	President Director
Mr. Antonio Escámez Torres	ARENA MEDIA COMMUNICATIONS ESPAÑA, S.A.	President
Mr. Francisco Luzón López	INDUSTRIA DE DISEÑO TEXTIL, S.A. (Inditex) CONSEJO SOCIAL DE LA UNIVERSIDAD CASTILLA-LA MANCHA	Director President
Mr. Abel Matutes Juan	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A. FCC CONSTRUCCIÓN, S.A. ASSICURAZIONI INTERNAZIONALE DI PROVIDENZA	Director Director Director
Mr. Luis Rodriguez Durón	IBÉRICA DE MADERAS Y AGLOMERADOS S.A. MUTUACTIVOS SA, SGIIC MUTUA MADRILEÑA AUTOMOVILISTICA SOCIEDAD DE SEGUROS A PRIMA FIJA	President President Vice President
Mr. Luis Ángel Rojo Duque	UNIVERSIDAD COMPLUTENSE DE MADRID GROUP OF WISE MEN (ECOFIN) (3) REAL ACADEMIA DE LAS CIENCIAS MORALES Y POLITICAS REAL ACADEMIA DE LA LENGUA ESPAÑOLA	Professor Miembro Full Member Full Member
Mr. Luis Alberto Salazar-Simpson Bos	AUNA TELECOMUNICACIONES, S.A. AUNA OPERADORES DE TELECOMUNICACIONES, S.A. RETEVISIÓN MÓVIL, S.A. CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO- ARAGONESA, S.A. SAINT GOBAIN CRISTALERÍA, S.A. MUTUA MADRILEÑA AUTOMOVILÍSTICA, SOCIEDAD DE SEGUROS A PRIMA FIJA	Joint Director President Joint Director President Director Director

- (1) Representative of the Assicurazioni Board SpA.
- (2) Representative of the Mutua Madrileña Autonomovilistica Board, an Insurance company.
- (3) Mr. Luis Ángel Rojo Duque was appointed a member of the Group of Wise Men by the ECOFIN Board in order to study the integration of European financial markets.

9.2. *Administrative, Management, and Supervisory bodies conflicts of interests. Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 9.1 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.*

During the 2004 financial year there were 32 cases in which Directors abstained from taking part in voting in deliberations or meetings of the Board of Directors or its Committees.

In the specific case of Directors of the Bank, conflict of interest situations are regulated by Section 28 of the Board Regulations. This section lays down an obligation for Directors to notify the Board of Directors of any situation of conflict, whether direct or indirect, which they have with the interests of the Bank. If the conflict relates to an operation, the Director may not carry out the same without the approval of the Board on prior report from the Appointments and Remuneration Committee. The Director concerned must abstain from deliberating and voting on the operation to which the conflict relates.

## 10 MAJOR SHAREHOLDERS

- 10.1. *To the extent known to the Guarantor, state whether the Guarantor is directly or indirectly owned or controlled and by whom, and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.*

The Bank is not aware of any person which exerts or may exert control over the Bank within the terms of Article 4 of *Ley 24/1988, de 28 de julio, del Mercado de Valores* (Law 24/1988 of 28 July of the Securities Market).

- 10.2. *A description of any arrangements, known to the Guarantor, the operation of which may at a subsequent date result in a change in control of the Guarantor.*

The Bank is not aware of any arrangements the operation of which may at a date subsequent to that of the date hereof result in a change in control of the Guarantor.

## 11 FINANCIAL INFORMATION CONCERNING THE GUARANTOR'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

- 11.1. *Historical Financial Information: Audited historical financial information covering the latest 2 financial years (or such shorter period that the Guarantor has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.*

*The most recent year's audited historical financial information must be presented and prepared in a form consistent with that which will be adopted in the Guarantor's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.*

*If the Guarantor has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards where the Guarantor is an Guarantor from the Community. For third country Guarantors, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited. If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:*

- (a) the balance sheet;*
- (b) the income statement;*
- (c) in the case of an admission of securities to trading on a regulated market only, a cash flow statement;*
- (d) the accounting policies and explanatory notes.*

*The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of this Base Prospectus, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.*

The information contained in the following tables is hereby incorporated by reference. The tables below set out the relevant page references in the annual reports of the Guarantor for the years ended 31 December 2004 and 2003 (the “2004 Annual Report” and the “2003 Annual Report”, respectively) where the following information incorporated by reference in this Base Prospectus can be found:

<u>Information Incorporated by Reference in this Base Prospectus</u>	<u>2003 Annual Report Page Reference</u>
1. Auditor’s report .....	139
2. Audited Consolidated Balance Sheets for the years ended 31 December 2003, 2002 and 2001 .....	140
3. Audited Consolidated Statements of Income for the years ended 31 December 2003, 2002 and 2001 .....	142
4. Notes to the Consolidated Financial Statements .....	143

<u>Information Incorporated by Reference in this Base Prospectus</u>	<u>2004 Annual Report Page Reference</u>
1. Auditor’s report .....	163
2. Audited Consolidated Balance Sheets for the year ended 31 December 2004 and the comparative consolidated financial information of the Guarantor for the year ended 31 December 2003 .....	164
3. Audited Consolidated Statements of Income for the year ended 31 December 2004 and the comparative consolidated financial information of the Guarantor for the year ended 31 December 2003 .....	166
4. Notes to the Consolidated Financial Statements .....	167

The tables below set out the relevant page references in Form 20-F of the Guarantor for the year ended 31 December 2003 (“**2003 Form 20-F**”) and Form 20-F of the Guarantor for the year ended 31 December 2004 (“**2004 Form 20-F**”) where the following information incorporated by reference in this Base Prospectus can be found:

<u>Information Incorporated by Reference in this Base Prospectus</u>	<u>2003 Form 20-F Page Reference</u>
1. Audit (Deloitte) Report .....	F-1
2. Consolidated Balance Sheet .....	F-2
3. Statement of Income .....	F-4
4. Notes to the Consolidated Financial Statements .....	F-5
5. Statement of Cash Flows .....	F-85

<u>Information Incorporated by Reference in this Base Prospectus</u>	<u>2004 Form 20-F Page Reference</u>
1. Audit (Deloitte) Report .....	F-1
2. Consolidated Balance Sheet .....	F-2
3. Statement of Income .....	F-4
4. Notes to the Consolidated Financial Statements .....	F-5
5. Statement of Cash Flows .....	F-96



The above information may be inspected as described in “Documents on Display” above. Any information not listed in the above cross-reference tables but which is included in the documents incorporated by reference herein is given for information purposes only.

11.2. ***Financial statements: If the Guarantor prepares both own and consolidated financial statements, include at least the consolidated financial statements in this Base Prospectus.***

The Guarantor prepares audited consolidated annual financial statements and unaudited annual non-consolidated financial statements. Only the consolidated financial statements are incorporated by reference under paragraph 11.1 above.

The Guarantor does not prepare non-consolidated interim financial statements.

11.3 ***Auditing of historical annual financial information.***

11.3.1. ***A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.***

The individual and consolidated annual financial statements and management reports of BANCO SANTANDER CENTRAL HISPANO, S.A. for the 2003 and 2004 financial years were audited by the external audit firm DELOITTE, S.L. (formerly DELOITTE & TOUCHE ESPAÑA, S.L.).

The report of Deloitte, S.L. in relation to the financial statements of the Group for the year ended 31 December 2004 contains a reservation to the following effect: in 2003 and 2002, the Bank and other Group entities entered into early retirement agreements with certain employees and recorded these commitments, after receiving the related authorizations from the Bank of Spain pursuant to Rule 13 of Bank of Spain Circular 4/1991, with a charge to unrestricted reserves and simultaneously recorded the related deferred tax asset (€336 million and €181 million, respectively, in 2003, and €856 million and €461 million respectively, in 2002). In 2004, the Bank of Spain did not grant such authorization to credit institutions and, accordingly, also in accordance with rule 13 of Bank of Spain Circular 4/1991, the Bank and other Group entities recorded net provisions of €527 million with a charge to the consolidated statement of income to meet their commitments to the employees who took early retirement in that year (€810 million were charged to the “Extraordinary Loss” caption in the 2004 consolidated statement of income referred to above, and simultaneously the related deferred tax asset was recorded for €283 million).

There are no other reservations or qualifications of the auditors in relation to the 2003 and 2004 financial statements referred to above.

11.3.2. ***An indication of other information relating to the guarantor in this Base Prospectus which has been audited by the auditors.***

No other information relating to the Guarantor in this Base Prospectus has been audited by Deloitte, S.L.

11.3.3. ***Where financial data in this Base Prospectus is not extracted from the Guarantor’s audited financial statements state the source of the data and state that the data is unaudited.***

The information regarding business areas contained in paragraph 5.1.1 is not audited and was obtained from the internal accounting records of the Bank.

In addition, the unaudited financial statements incorporated by reference in paragraph 11.5.1 are not audited and have been extracted from the Bank’s internal accounting records.



11.4. *Age of latest financial information.*

11.4.1. *The last year of audited financial information may not be older than 18 months from the date of this Base Prospectus.*

The date of the most recent audited financial information of the Bank is 31 December 2004.

11.5. *Interim and other financial information.*

11.5.1. *If the Guarantor has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in this Base Prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact.*

The table below sets out the relevant page references of the Unaudited Financial Report 2005 of the Guarantor (January-September) (the “Financial Report 2005”) where the following information incorporated by reference in this Base Prospectus can be found:

<u>Information Incorporated by Reference in this Base Prospectus</u>	<u>Financial Report 2005 Page Reference</u>
1. Unaudited Consolidated Income Statement for the period 1 January 2005 - 30 September 2005 .....	12
2. Unaudited Consolidated Balance Sheet as at 30 September 2005 .....	15

Any information not listed in the above cross-reference tables but which is included in the documents incorporated by reference herein is given for information purposes only.

11.5.2. *If this Base Prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is unaudited state that fact.*

*The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.*

See paragraph 11.5.1 above.

11.6. *Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Guarantor and/or group’s financial position or profitability, or provide an appropriate negative statement.*

The resolutions adopted at the Bank’s general shareholders’ meetings held on January 18, 2000 and on March 4, 2000, approving the capital increases agreed in connection with the exchange offer made by The Royal Bank of Scotland Group plc with National Westminster Bank plc, and in connection with the Bank’s acquisitions of the Portuguese banks Banco Totta & Açores and Crédito Predial Português and the resolution adopted at the Bank’s general shareholders’ meeting held on March 4, 2000 approving the capital increase necessary to carry out the exchange offers for shares of Banco Rio de la Plata, have been challenged under Spanish law. One plaintiff shareholder, in the case of the resolutions adopted in the first meeting and two plaintiff shareholders, in the case of the resolutions adopted in the second meeting, have challenged these resolutions on the grounds that, among other things, they were provided with insufficient information in connection with the vote on these resolutions and that the resolutions excluding the

preemptive rights of shareholders were not validly adopted. In the proceedings, the plaintiffs have requested the court to declare that the above resolutions (and other ones adopted in the same meetings) are null and void. The first claim was rejected by the court in April 2001, and the plaintiff appealed the court's rejection of his claim. The plaintiff's appeal was then rejected by the court on December 2, 2002. The plaintiff has appealed for redress and the Bank has asked the court not to admit such an appeal. The second claim was rejected by the courts of the city of Santander on November 29, 2002 and the plaintiffs appealed. Such appeal was subsequently rejected by the court on July 5, 2004. The plaintiffs responded and the court admitted the response of one of the plaintiffs and dismissed the other. The Bank has requested that the appeals not be admitted. The Bank cannot anticipate the outcome of these claims. Under Spanish law, if the claims were to prevail, the capital increase resolutions adopted on January 18, 2000, and on March 4, 2000, could be declared null and void. The effect under Spanish law of the declaration of nullity of a listed company's share capital increase is highly uncertain and the Bank is unable to anticipate what the outcome for it and its shareholders would be if these claims were to prevail.

The resolutions adopted at the Bank's shareholders' meeting held on March 10, 2001, have been challenged under Spanish law by three shareholders who filed their claim before the courts of the city of Santander. These shareholders claim that the Bank did not comply with certain provisions of Spanish corporate law with respect to the resolutions adopted in said shareholders' meeting. The challenged resolutions include the approval of the Bank's annual accounts, the approval of a capital increase in exchange of cash, the approval of a capital increase in exchange of shares of Banco Rio de la Plata and BRS Investments and the approval of various issuances of bonds. In their complaints, the plaintiff shareholders asked the Court to declare the resolutions null and void and that the registration of the resolutions in the Commercial Registry also be annulled. The claim was rejected by the court in March 2002. The plaintiff shareholders appealed such rejection and, although the court allowed the admission of new evidence, the claim was again rejected on April 13, 2004. One of the plaintiffs has appealed for redress and the Bank has asked the court that this appeal not be admitted.

The resolutions adopted at the Bank's shareholders' meeting held on February 9, 2002, have been challenged under Spanish law by one shareholder who has filed his claim before the courts of the city of Santander. The challenged resolutions include the approval of the payment of an interim dividend, the re-election of Arthur Andersen y Cia, S. Com as the external auditor of the Bank, the approval of a capital increase in exchange of shares of the German Company AKB Holding GmbH and the approval of various issuances of bonds. Among other things, the plaintiff alleges the infringement of the shareholders' rights of participation during the meeting and of receipt of information regarding the different issues to be voted on in the meeting; and that the resolutions excluding the preemptive rights of shareholders were not validly adopted. The plaintiff shareholder asked the Court to declare the above resolutions (and others adopted in the same meeting) null and void and that the registration of the resolutions in the Commercial Registry also be annulled. On September 9, 2002 the Court rejected the claim. The plaintiff appealed the rejection but the court rejected the appeal on January 14, 2004. The plaintiff has appealed for redress and the Bank has asked the Court not to admit such an appeal.

The resolutions adopted at the Bank's shareholders' meeting held on June 24, 2002 have been challenged under Spanish law by one shareholder who filed his claim before the courts of the city of Santander. The challenged resolutions include the approval of the Bank's annual accounts and the rejection by the shareholders' meeting of the proposals made by the plaintiff shareholder and another shareholder to file a claim requesting the declaration of the Directors' liability in connection with the investments made by the Bank in Argentina, as well as the proposal made by another shareholder for the dismissal of one of the Directors. The Bank responded to the claim on October 5, 2002. During the term to respond to this claim, the Bank was required to respond to another claim, filed by a different shareholder, challenging some of the resolutions adopted at the same meeting. The claim was admitted by the same court of the city of Santander that is in charge of the first proceeding and has been joined to this proceeding, so both proceedings will be carried out jointly. The Bank responded to this second claim on October 25, 2002. The hearing took place on April 21, 22, and 24, and the court dismissed the claim on May 29, 2003. The plaintiffs have appealed such decision and the Bank has already answered the appeal.

Since fiscal year 1992, the Madrid Central Pre-Trial Investigation Court No 3 has maintained pre-trial investigative proceedings — now Summary Proceedings — in order to determine liabilities of the Bank, its Chairman and three of its Officers with respect to certain credit assignment transactions (*operaciones de cesión de crédito*) carried out by Banco Santander, S.A. between fiscal years 1987 and 1989. In the opinion of the Bank and its internal and external advisors, the final result of this litigation will be favourable to the Bank, its Chairman and three of its Officers, and does not require a specific additional reserve. On July 16, 1996, the Madrid Central Pre-Trial Investigation Court No. 3, pursuant to a request made to such effect by the Attorney General after having consulted the Spanish Tax Authority, dismissed certain but not all the claims against the Bank, its Chairman and three of its Officers. Thereafter, the Attorney General — representative of the Tax Authority — and the Office of the Public Prosecutor repeatedly requested the dismissal of the remaining claims and the removal of the case from the docket. However, on June 27, 2002, the court changed the cited proceedings into a Summary Proceeding. Such decision was appealed by the Office of the Public Prosecutor, the Bank, its Chairman and three of its Officers. On June 23, 2003, the Panel Two of the Criminal Division of the National Criminal and Administrative Court (*Audiencia Nacional*) admitted partially such appeals, explicitly acknowledging that the marketing of the credit assignment transactions with clients had been legal, and reducing the number of transactions under scrutiny — and with respect to which the Bank’s possible involvement is still being alleged — from 138 to 38, with respect to the remaining 38 transactions under scrutiny, the Attorney General and the Office of the Public Prosecutor have generally requested the dismissal of claims and their removal from the docket on the grounds that no crime had been committed. Following the conclusion of the indictment proceedings — with repeated requests by the Office of the Public Prosecutor and the Attorney General for the dismissal of the proceedings and their removal from the docket, — and based on the complaint filed by the citizen complainant, *Asociación para la Defensa de Inversores y Clientes* (Investor and Customer Defense Association), the Court, in an order dated October 6, 2004, decreed the commencement of oral evidentiary proceedings against the Chairman of the Bank and three of its Officers for one continuing crime of falsification of an official document, three continuing crimes of falsification of a commercial document, and thirty crimes against the public finance, ordering that a bond be jointly posted for €67.8 million, which amount was later reduced to €40.1 million, as a fine and for costs. The order designated Panel One of the Criminal Division of the National Criminal and Administrative Court as the competent court to hear the oral evidentiary proceedings.

In December 1995, the Spanish tax authorities issued an “Acta” (writ) requiring Banco Santander, S.A. to pay €26.2 million in back withholding taxes, interest and penalties relating to the Bank’s alleged failure to comply with a purported obligation to withhold income tax on payments to clients with respect to certain credit assignment transactions held by such clients. Although a similar case in an amount of €3.8 million was successfully appealed by the Bank in June 2003 (and then appealed in turn by the Regional tax authorities), the Bank’s appeal against this writ was rejected. The Bank filed a second appeal which was partially admitted by the court on October 30, 2003. Both the Bank and the Attorney General have appealed such decision before the Supreme Court and are awaiting the Court’s decision with respect to the appeals.

The resolutions adopted at the Bank’s shareholders’ meeting held on June 21, 2003 have been challenged under Spanish law by three shareholders who filed their claims before the courts of the city of Santander. The three plaintiff shareholders challenged the resolution approving the annual accounts and the management of the Bank and of the Group for 2002. In addition, two out of the three plaintiff shareholders challenged the resolutions approving the profit allocation for 2002 and the Procedural Rules of the Bank’s Shareholders’ meetings. On October 10, 2003, the Bank answered the claims. The preliminary hearing took place on January 21, 2004. On February 11, 2004 the Court decided to suspend the proceedings until the preliminary proceedings 352/2002 being carried out by the Madrid Central Court number 3 (referred to herein below) are finalized. On September 29, 2004, the Bank also responded to a separate claim filed by another shareholder challenging the resolutions adopted at the same meeting. The preliminary hearing for this claim took place on January 19, 2005. The Court decided to carry out jointly all the proceedings related to the same meeting and to apply to all such proceedings the suspension ordered by the Court on February 11, 2004.

The resolutions adopted at the Bank's shareholders' meeting held on June 19, 2004 have been challenged under Spanish law by three shareholders who filed their claims before the courts of Santander. The challenged resolutions include the approval of the Bank's annual accounts, the profit allocation and the approval of the Procedural Rules of the Bank's Shareholders' Meetings. The Bank has already responded to the three claims and requested that all such claims be joined into one single proceeding. The Court granted the Bank's request to carry out all the three proceedings jointly. The preliminary hearing took place on February 7, 2005 and the hearing took place on May 9 and 10, 2005. The hearing is awaiting sentence. One of the shareholder claimants has petitioned for the joinder to the process referred to in the previous paragraph (352/2002). The joinder was refused. A current appeal, which awaits proceedings, has been presented against the judicial refusal of the petition.

Lanetro, S.A. filed a suit against the Bank, carried out before the Court of 1<sup>st</sup> Instance no. 34 of Madrid, Complaint of Plenary Suit no. 558/2002, principally alleging that the Bank breached its alleged obligation to subscribe to the increase in capital stock of the plaintiff in the amount of €30,050,605.22. The Court rejected the claim on December 16, 2003, but the plaintiff has appealed. The Bank has answered the appeal and is presently awaiting the Court's decision with respect to the appeal.

For informational purposes, it is also mentioned that several persons, who allegedly have funds deposited in Banco Río de la Plata, S.A., filed an application for conciliation before the courts of the city of Madrid against the Bank, the persons who were members of the Board during 2001 and 2002 and others. According to Spanish Law, this application did not start proper judicial proceedings against the Bank. The claimants only intended that the defendants acknowledge the facts alleged in their application, regarding the Bank and its Directors' claimed obligation to reimburse the funds deposited by the claimants in Banco Río de la Plata, S.A. The conciliation hearing was held on July 16, 2002. The Bank and the members of the Board refused to accept the facts and allegations of the application. This meant the termination of the conciliation. In January 2004, there was a preliminary hearing in connection with a similar case, in which a person who allegedly deposited funds in Banco Río de la Plata, S.A. is claiming \$8,365.71. The Court has not determined the date for the next hearing yet.

For the same informational purposes, it is mentioned that the Madrid Central Court number 3 is carrying forward preliminary proceedings 352/2002 in connection with complaints filed by two shareholders against the Chairman of the Bank, regarding the economic terms of the retirement in August 2001 of the former co-chairman, Mr José María Amusátegui and the economic terms of the resignation in February 2002 of the former first vice-chairman and chief executive officer, Mr Angel Corcóstegui. The prosecutor and the defendants requested the dismissal of the case, which was opposed by the plaintiff shareholders. On October 16, 2003 the Court decided to change the cited proceedings to a summary proceeding. The Office of the Public Prosecutor and the Chairman of the Bank and the other two accused appealed the decision. The hearing of the appeals took place on February 9, 2004, and on February 18, 2004 the Court decided not to admit such appeals without entering into the merits of the matter. The Chairman of the Bank then appealed to the Constitutional Court. The Office of the Public Prosecutor again requested the dismissal of the case. On April 26, 2004, the Madrid Central Court number 3 decided to commence oral evidentiary proceedings. On May 10, 2004, with two dissenting votes, and in spite of the favourable report of the Office of the Public Prosecutor, the Constitutional Court decided not to admit the appeal. At the oral hearing, the Office of the Public Prosecutor requested the acquittal of those accused on the grounds that the facts do not amount to a criminal offence. On April 13, 2005, the Court decided to acquit those accused since the facts do not amount to a criminal offence.

On September 25, 2003, the Bank announced that it would launch a public offering in Spain for the acquisition of up to 16% of the share capital of Compañía Española de Petróleos, S.A. ("Cepsa"), a Spanish oil and petrochemical company. On October 21, 2003, the Spanish National Securities Commission authorized the Bank to launch the offering. The acceptance term of the offering expired on November 24, 2003. The bid was accepted by shares representing 12.13% of Cepsa's share capital.

The Bank decided to launch the bid for Cepsa once the agreements with the French group Total ("Total"), an oil and petrochemical group and major shareholder of Cepsa, to act in concert with respect to the

parties' investments in Cepsa had become ineffective after the enactment of Law 26/2003 of July 17, 2003 ("Ley de Transparencia"). These agreements included those related to the company Somaen Dos, S.L. ("Somaen Dos"), a holding company in which the Bank, Total and Unión Fenosa, S.A. ("Unión Fenosa") have participations of approximately 60%, 25% and 15%, respectively. Somaen Dos owns shares representing 33.23% of Cepsa's share capital, of which 19.92% belong to the Bank, 8.31% to Total and 5.00% to Unión Fenosa

After the Bank's announcement to launch the public offering, Total requested a summary arbitral proceeding with the Netherlands Arbitration Institute seeking the adoption of certain injunctive measures. On November 25, 2003, that arbitration institute made public a ruling that, among other measures, imposed a temporary prohibition of the sale or encumbrance of the Cepsa shares owned by Somaen Dos as well as the Cepsa shares that the Bank had acquired in the bid. Furthermore, the ruling instructed both the Bank and Total to presently respect the supermajority rules contained in the agreements to act in concert in Cepsa and the rules, also established in those agreements, governing the right to appoint Directors of the boards of Cepsa and Somaen Dos.

Additionally, on October 20, 2003, the Total group filed a request for an arbitral proceeding with the Netherlands Arbitration Institute seeking a determination on the merits of its claim. The Bank responded that it was opposed to such request.

Currently, that arbitral proceeding remains open. In such proceeding, Elf and Odival (hereinafter, "Elf") have requested the Netherlands Arbitration Institute inter alia to instruct the Bank: to return to the market the Cepsa shares that the Bank acquired in the bid, to declare that the conditions for Elf to exercise a call option for 4.35% of Cepsa's share capital have been fulfilled, and to pay various indemnities, some of which have to be quantified during the course of the proceeding.

On October 15, 2004, the Bank answered the claim made by Elf. The Bank requested: (i) the dismissal of all the requests made by Elf in its claim, except for those related to the admission of Elf's right to the restoration of its economic participation in Cepsa that Elf owns through Somaen, and to the Bank's abstention from actions that could lead to the transfer or encumbrance of such participation, as these two requests have been repeatedly accepted by the Bank; (ii) the suspension of the presently existing injunctive measures described above; (iii) the declaration of ineffectiveness of the agreements signed by the Bank and Elf to act in concert with respect to their investments in Cepsa; (iv) the express declaration that irreconcilable differences between the parties ("*disputa insuperable*"), within the meaning of the signed agreements, has not occurred between the Bank and Elf; (v) the imposition to Elf of the obligation to negotiate in bona fide with the Bank the most favourable way for both parties and for Unión Fenosa to separate their economic participations in Cepsa and those that are owned by Somaen; and (vi) the sentence of Elf to indemnify the Bank for damages caused to the latter by the dispute between both parties and for damages derived from the adoption of the injunctive measures.

On November 30, 2004, Total answered the Bank's pleadings and the Bank responded on January 21, 2005. The Netherlands Arbitration Institute held hearings between February 24, and March 2, 2005. The proceedings will continue with a simultaneous submission of closing arguments by each party in May and June 2005. Once the closing arguments are submitted, the proceedings will conclude with the issuance by the Institute of its ruling.

The decision to be adopted in this proceeding will not be conditioned by the above-mentioned injunctive ruling which is temporary and which does not constitute a pre-judgment on the merits.

In May 2004, Chadia Limited, S.A. filed a suit against the Bank, carried out before the Court of 1st Instance number 48 of Madrid, proceeding number 420/2004, alleging that the Bank breached an alleged agreement for the sale to the plaintiff of certain buildings and seeking damages in the amount of €133 million. The Court rejected the claim, Chadia Limited, S.A. appealed, and the Bank has already responded that it was opposed to such appeal.



## **Banesto**

In 1995 and 1996, the former directors of Banesto, who had been replaced by decision of the Bank of Spain's Executive Council on December 28, 1993, filed claims challenging certain corporate resolutions adopted by the shareholders' meetings held on March 26, and August 22, 1994 and February 15, 1995 approving, among other things, Banesto's financial reorganization plan and the 1993 and 1994 financial statements of Banesto and the Banesto Group. In 2000, Madrid Appellate Court decisions rejected all the appeals filed by the plaintiffs in connection with the claim filed challenging the legality of the corporate resolutions approving the financial restructuring plan; the plaintiffs subsequently filed a cassation appeal against these decisions and the Bank has answered such cassation appeal. On March 5, 2002 the courts decided not to admit the cassation appeal against the Madrid Appellate Court's decision rejecting the claims of some of the plaintiffs regarding the invalidity of the constitution of the shareholders' meeting held on March 26, 1994. On July 22, 2003, the court admitted the cassation appeal filed by the remaining plaintiffs. The Bank filed its answer on September 20, 2003. On March 31, 2005, the parties were informed of a request made by some of the plaintiffs to bring the case to the European Court of Justice. The Bank has already opposed such request. The claim filed against the resolutions adopted by the shareholders' meeting held on August 22, 1994 approving the 1993 financial statements of Banesto was rejected by the Court of First Instance and the plaintiffs subsequently filed an appeal before the Madrid Appellate Court. The appeal was rejected in 2001 and the plaintiff has appealed in cassation. The claim filed against the approval by the shareholders' meeting held on February 15, 1995 of the 1994 financial statements of Banesto was also rejected in 2000 by the Court of First Instance and was subsequently appealed by the plaintiffs. The appeal was dismissed by judgment of the Court of Appeals of Madrid, rendered on May 20, 2003. In September 2003, the plaintiffs' appeal of this judgment was also dismissed. The plaintiffs have since appealed to the Supreme Court.

Banesto's directors and legal advisers do not believe that these claims will have any effect on the financial statements of Banesto or its Group. The plaintiffs seek that the resolutions be declared null and void, not damages. It is very difficult to assess what the practical consequences of an adverse judgment would be.

## **Abbey National Treasury Services PLC**

ABBEY NATIONAL TREASURY SERVICES PLC was the defendant in a claim filed foreign tax authorities regarding the repayment of certain tax credits and other associated amounts. The original amount of the claim was 113 million pounds, which was reduced to 99 million pounds. At 31 August 2005, additional interest had reached 17 million pounds. The amount of additional interest was reduced from the amount indicated by the company in December 2003 (36 million pounds) due to certain changes to the base on which the additional interest is calculated. In the opinion of the legal advisers to ABBEY NATIONAL TREASURY SERVICES PLC, the arguments for opposing the claim are solid, thus no *specific* provision has been made.

## **Banco do Estado de Sao Paulo (Banespa)**

Pursuant to the Brazilian labour regulations applicable to Banespa, this bank had recorded as of December 31, 2000, the pension allowances arising from the commitments to certain employees, which amounted to approximately 4,000 million Brazilian reais. Since 1987, the Directors of Banespa, as advised by their tax advisers, treated these expenses as deductible expenses in calculating the Brazilian corporate income tax. However, in September 1999, the "Secretaria de Receita Federal" issued a decision according to which these expenses, in an amount of approximately Brazilian reais 2,867 million would not be tax deductible. In October 1999, the Board of Directors of Banespa filed an appeal challenging this decision together with an "acción cautelar" regarding fiscal years 1999 and 2000, posted a deposit of Brazilian reais 1,297 million and recorded a provision of Brazilian reais 2,600 million for this contingency. Such provision was recorded in 1999 with a charge to income, after recording the related deferred tax asset of Brazilian reais 1,200 million.

In this respect, the Board of Directors of Banespa has decided to accept the Medida Provisória nº 66 of the Secretaria da Receita Federal dated August 29, 2002 and to pay Brazilian reais 2,110 million in order to settle the proceedings. The company disputes any liability with respect to an additional amount of Brazilian reais 103 million relating to costs and surcharges imposed in connection with the dispute relating to the principal amount. The company has asked for a cautionary judicial action posting a deposit for an equivalent amount.

#### **Santander Brazil DTVM, Ltda. and Banco Santander Brazil, S.A.**

On May 19, 2003, the Secretaria de Receita Federal issued an “Auto de Infração” requiring from our Brazilian affiliate Santander Brazil DTVM, Ltda the payment of Brazilian reais 290 million in taxes allegedly incurred in connection with certain cash management services rendered by such company to its clients which the company had treated during 2000, 2001 and the two first months of 2002 as exempt from the Tax on Financial Transactions, following the advice of its tax advisers. The Board of Directors of Santander Brazil DTVM, Ltda. appealed this decision in June 2003. The Tax Authorities confirmed the “Auto de Infração” and the Board of Directors appealed to “Conselho de Contribuintes” (final administrative court). The Court decision is pending. On December 31, 2004, the amount involved in the action was equivalent to reais 306 million.

Also on May 29, 2003, the Secretaria de Receita Federal issued another “Auto de Infração” requiring from our Brazilian affiliate Banco Santander Brazil, S.A. the payment of Brazilian reais 290 million in taxes allegedly incurred in connection with certain clearing services rendered by such company to Santander Brazil DTVM, Ltda. pursuant to an agreement between these two companies. Following the advice of its tax advisers, Banco Santander Brazil, S.A. had treated during 2000, 2001 and the two first months of 2002 such services as exempt from the Tax on Financial Transactions. The Board of Directors of Banco Santander Brazil, S.A. appealed this decision in June 2003. The Tax Authorities confirmed the “Auto de Infração” and the Board of Directors appealed to “Conselho de Contribuintes” (final administrative court). The Court decision is pending. On December 31, 2004, the amount involved in the action was equivalent to reais 306 million.

#### **Casa de Bolsa Santander Serfin. S.A. de C.V. (Grupo Financiero Santander Serfin)**

An individual has filed an ordinary mercantile proceeding against Casa de Bolsa, Santander Serfin, S.A. de C.V. (Grupo Financiero Santander Serfin) in the thirty first court on civil law of the Federal District of Mexico in order to determine the liabilities of Casa de Bolsa, Santander Serfin, S.A. de C V, (Grupo Financiero Santander Serfin) with respect to the alleged existence of irregular withdrawals at such entity made by a representative of the plaintiff and which were not carried out in accordance with various security brokerage agreements subscribed to by the parties. The plaintiff claims the restoration at market value of 2,401,588 shares of the company Mexico 1, of 11,219,730 shares of the company Mexico 4, and the payment of 15,025,730 Mexican Pesos in addition to the payment of interests calculated applying the CCP late multiplied by four.

On July 6, 1999 the judgment against Casa de Bolsa became firm, and subsequently on November 5, 2004, the court rendered an execution ruling which quantified the amount of interests at 37,646.8 million Mexican Pesos (\$3,408.4 million), and condemned Casa de Bolsa to deliver the claimed shares. Casa de Bolsa appealed, and on January 20, 2005, the court decided not to admit such appeal. Against this decision Casa de Bolsa asked for redress and the court admitted its request and suspended the November 5, 2004 ruling temporarily first and subsequently granted a final suspension of such ruling which annulled it. The decision which turned into the annulment of the November 5, 2004 ruling has been, in its turn, appealed by the plaintiff and Casa de Bolsa. The court handed down its decision regarding these appeals on 20 June 2005, denying Bahamonde’s appeal and confirming the concession to the Casa de Bolsa. As a result, the interlocutory judgment handed down by Court 31 is invalid, and the Tribunal ordered the appointment of third party experts in disputes involving accounting and stock matters.

Third party experts in disputes involving accounting and stock matters have now been appointed. The accounting expert submitted his report, confirming the report submitted by the expert appointed by Bahamonde. The Casa de Bolsa filed its objection, and the court declared it to be well-founded, annulling the expert's report and appointing a new accounting expert, who will have to submit his report as soon as possible. Regarding the stock market expert, the expert submitted his report, which confirmed the opinion submitted by the expert appointed by the Casa de Bolsa. The trial will continue admitting the opinion of a panel of experts, and the court will subsequently hand down its ruling.

### **Other Litigation**

In addition to the above described matters, the Bank and its subsidiaries are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of our business, including in connection with the Group's lending activities, relationships with the Group's employees and other commercial or tax matters. The Bank believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believe that liabilities related to such claims and proceedings are not likely to have, in the aggregate, a material adverse effect on the Group's business, financial condition, or results of operations.

- 11.7. *Significant change in the Guarantor's financial position: A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.*

Save as described below, there has been no significant change in the financial position of the Group since 30 September 2005, being the date of the most recent published unaudited consolidated interim financial statements of the Bank.

On October 18, 2005, Banco Santander Central Hispano, S.A. announced the payment of the second dividend for the 2005 financial year in the gross amount of €0,09296 per share. The dividend was paid on November 1, 2005.

During the period from September 30, 2005 to November 15, 2005, certain Group subsidiaries issued US\$2,000 million and €2,250 million of senior debt.

## **12 MATERIAL CONTRACTS**

- 12.1 *A brief summary of all material contracts that are not entered into in the ordinary course of the Guarantor's business, which could result in any group member being under an obligation or entitlement that is material to the Guarantor's ability to meet its obligation to security holders in respect of the securities being issued.*

At the date of this document, no contracts had been entered into that were not in the ordinary course of business of the Bank and which could result in any Group member being under an obligation or entitlement that is material to the Bank's ability to meet its obligations to Noteholders.

## **13 THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

- 13.1. *Where a statement or report attributed to a person as an expert is included in this Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the Guarantor. If the report has been produced at the Guarantor's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of this Base Prospectus.*

Not Applicable.

- 13.2. *Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Guarantor is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the Guarantor shall identify the source(s) of the information.*

Not Applicable.



## THE INSTRUMENTS

### 1 PERSONS RESPONSIBLE

- 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.*

Each of Santander International Debt, S.A. Unipersonal (“**Santander International**”) and Santander Issuances, S.A. Unipersonal (“**Santander Issuances**”) (each an “**Issuer**” and together, the “**Issuers**”) and Banco Santander Central Hispano, S.A. (the “**Guarantor**” or the “**Bank**”) accepts responsibility for the information contained in the sections headed “The Instruments” and “The Guarantee”.

- 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.*

The Issuers and the Guarantor confirm that, having taken all reasonable care to ensure that such is the case, the information contained in the sections headed “The Instruments” and “The Guarantee” is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

### 2 RISK FACTORS

- 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”.*

#### **Risks Relating to Withholding**

Under Spanish law, income in respect of the Instruments will be subject to withholding tax in Spain, currently at the rate of 15 per cent., in relation to payments to (a) individual Holders (as defined herein) who are resident in Spain; (b) Holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991, of 5 July, as amended from time to time); and (c) Holders in respect of whom the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Holder's identity and tax residence as it may require in order to comply with Law 13/1985 and any implementing legislation. Neither the Issuers nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases (See “Terms and Conditions of the Instruments — Taxation”).

Offers of Instruments into Spain are not permitted, as contemplated in paragraph 5.2 (*plan of distribution*). Notwithstanding this restriction, if Instruments are held by Spanish corporate entities there is a risk the Spanish tax authorities may determine that the exemption from withholding tax currently applicable to payments of interest to Spanish corporate holders (as described in paragraph 4.14 (*Taxation and Disclosure of Information in Connection with Interest Payments — 2. Legal Entities with Tax Residency in Spain*), does not apply to such Instruments. If such determination were made, the relevant Issuer would be required to make a withholding at the applicable rate, currently 15 per cent., on payments of interest under the Instruments and no additional amounts will be payable by such Issuer or the Guarantor in such circumstances, as provided in “Terms and Conditions of the Instruments — Taxation” paragraph (vii).

#### **Risks Relating to Procedures for Collection of Holders' Details**

It is expected that the Issuers, the Guarantor, the Paying Agents, the common depository for the Instruments and the Clearing Systems will follow certain procedures to facilitate the collection from Holders of the information referred to in “Risks Relating to Withholding” above. A summary of those procedures is set out in a schedule to the Agency Agreement and should be read together with “Taxation

and Disclosure of Holder information in connection with interest payments”. Such procedures may be revised from time to time in accordance with applicable Spanish laws and regulations, further clarification from the Spanish tax authorities regarding such laws and regulations and the operational procedures of the Clearing Systems. While the Instruments are represented by one or more global Instruments, Holders must rely on such procedures in order to receive payments under the Instruments free of any withholding, if applicable. Holders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Instruments. None of the Issuers, the Guarantor, the Arranger, the Dealers, the Paying Agents or the Clearing Systems assume any responsibility therefor.

### **Risks Relating to the Comisario**

Under Spanish law, the Issuers are required to appoint a commissioner (*comisario*) (the “Commissioner”) in relation to issues of Instruments. The Commissioner owes certain obligations to the Syndicate of Holders (as described in the Issue and Paying Agency Agreement — The Fifth Schedule, Part I). However, prospective investors should note that the Commissioner will be an individual appointed by the relevant Issuer and that such individual may also be an employee or officer of such Issuer or of the Guarantor.

### **Risks Relating to the Insolvency Law**

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

Law 22/2003 provides, among other things, that: (i) any claim may become subordinated if it is not included in a company’s accounts or otherwise reported to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency, (ii) provisions in a contract granting one party the right to terminate on the other’s insolvency may not be enforceable, (iii) interest accrued and unpaid until the commencement of the insolvency proceedings (*concurso*) shall become subordinated, and (iv) interest shall cease to accrue from the date of the declaration of insolvency.

Certain provisions of the Insolvency Law could affect the ranking of the Senior Instruments or claims relating to Senior Instruments on an insolvency of Santander International Debt, S.A. or the Guarantor. In particular, there is uncertainty surrounding the interpretation of article 87.6 of the Insolvency Law, which may result in claims against Santander International Debt, S.A. under the Instruments being re-classified as claims of creditors “specially related” to Santander International Debt, S.A. as defined in article 92 (5) of the Insolvency Law and become subordinated. However, even if such claims were so re-classified the payment obligations of the Guarantor under the Guarantee would continue to be classified as ordinary debts.

From the entry into force of Law 22/2003, and in accordance with the insolvency procedures regulated therein, creditors whose rights arise from a Spanish public document, including holders of Instruments, do not have a preference to enforce their rights and do not rank ahead of other creditors whose rights may arise from a document not so witnessed.

### **Risk Relating To The Instruments**

*There is no active trading market for the Instruments.*

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

that any particular Tranche of Instruments will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Instruments.

*The Instruments may be redeemed prior to maturity.*

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

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

Instruments issued under the Programme may be represented by one or more Global Instruments. Such Global Instruments will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Instruments. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

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

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

### **3 KEY INFORMATION**

#### **3.1 *Interest of natural and legal persons involved in the issue/offer***

*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.*

Save as described in paragraph 5.4.3, so far as the Issuers are aware, no person involved in the offer of the Instruments has an interest material to the offer.

#### **3.2 *Reasons for the offer and use of proceeds***

*Reasons for the offer if different from making profit and/or hedging certain risks. 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.*

The net proceeds of the issue of each Tranche of Instruments will be used for the general funding purposes of the Group.

#### **4 INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING**

##### **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.***

See “Terms and Conditions of the Instruments — Introduction”.

The maximum aggregate principal amount of Instruments which may be outstanding at any one time is €25,000,000,000 (or its equivalent in other currencies).

No Instruments may be issued under the Programme which have a minimum denomination of less than €1,000 (or equivalent in another currency).

The ISIN and common codes will be included in the Final Terms.

##### **4.2 *Legislation under which the securities have been created***

The issue of the Instruments, including their legal nature (*obligaciones*) the status of the Instruments and the status of the guarantee in respect of them, the capacity of the Issuers, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law. The terms and conditions of the Instruments and all related contractual documentation will be governed by, and construed in accordance with, English law.

##### **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***

Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the Issuer will deliver a temporary global Instrument, which will be deposited on or before the relevant issue date therefor with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Such temporary global Instrument will be exchangeable for a permanent global Instrument or, if so specified in the relevant Final Terms, for Instruments in definitive bearer form and/or (if so specified in the relevant Final Terms) registered form in accordance with its terms. Each permanent global Instrument will be exchangeable for Instruments in definitive bearer form and/or (if so specified in the relevant Final Terms) registered form in accordance with its terms. Instruments in definitive bearer form will, if interest-bearing, have interest coupons attached and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon. Instruments in registered form may not be exchanged for Instruments in bearer form. Each Instrument issued in registered form shall represent the entire holding of Registered Instruments by the same holder. A Registered Instrument may be registered in the name of a nominee for one or more clearing system.

##### **4.4 *Currency of the securities issue***

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

##### **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***

Senior Instruments and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of Santander International and the Guarantor, respectively, and Subordinated Instruments and the guarantee in respect of them will constitute subordinated and unsecured obligations of Santander

Issuances and the Guarantor, respectively, all as described in “Terms and Conditions of the Instruments — Status of the Instruments and the Guarantee”.

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (“**Law 22/2003**”) regulating all insolvency procedures in Spain, which came into force on 1 September 2004, supersedes all Spanish prior provisions which regulated bankruptcy, insolvency (including suspension of payments) and processes affecting creditors’ rights generally, including the ranking of credits.

From the entry into force of Law 22/2003, and in accordance with the insolvency procedures regulated therein, creditors whose rights arise from a Spanish Public Document (as defined below), including Holders of the Instruments, 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.

In the event of insolvency (*concurso*) of the Issuer, under Law 22/2003, claims relating to the Subordinated Instruments will fall within the category of “subordinated debts” (as defined in Law 22/2003). The obligations of the Issuer under the Subordinated Instruments, whether on account of principal, interest or otherwise, are subordinated to all other unsecured and unsubordinated obligations of the Issuer. After payment in full of unsubordinated debts but before distributions to shareholders and creditors of the Issuer which are characterised as holders of equity (*Otros Acreedores a Título Asimilable al de Aportación de Capital*), under article 92 of Law 22/2003, the Issuer will meet such subordinated debts in the following order and pro rata within each class: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) contractually subordinated debt (such as the Subordinated Instruments); (iii) interest (such as interest due on the Subordinated Instruments accrued and unpaid until the commencement of the insolvency proceedings (*concurso*)); (iv) fines; (v) claims of creditors which are related to the Issuer; and (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (*rescisión concursal*), and in respect of which the court has determined that the relevant creditor has acted in bad faith.

Subordinated Instruments may be computed by the Guarantor as regulatory capital (*recursos propios*) of the Guarantor pursuant to the relevant provisions in current Spanish law relating to equity and consolidated groups of financial institutions: Law 13/1985 of 25 May, Law 13/1992 of 1 June, Royal Decree 1343/1992 of 6 November and *Banco de España* Circular 5/1993 of 26 March, all the above as amended and restated (or such provisions as may replace, supplement or implement the foregoing in the future).

**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***

Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Instruments as set out in “Terms and Conditions of the Instruments” and must be read in conjunction with the Base Prospectus. The Terms and Conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Instruments as supplemented, amended and/or replaced by the relevant Final Terms. See “Pro Forma Final Terms”. Senior Instruments will have the benefit of a Negative Pledge as described in Condition 4 (*Negative Pledge*) and Events of Default, including a cross-default as described in Condition 7 (*Events of Default*).

**4.7 *The nominal interest rate and provisions relating to interest payable.***

Instruments may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked. See Condition 5 (*Interest*).

**- *The date from which interest becomes payable and the due dates for interest.***

Unless specified otherwise in the Final Terms, interest will accrue from the relevant Issue Date.

**- *The time limit on the validity of claims to interest and repayment of principal***

Claims for payment of principal will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years. See Condition 10 (*Prescription*).



***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.***

In the case of Floating Rate Instruments and Index Linked Instruments, the relevant rates will be determined by JPMorgan Chase Bank, N.A., London Branch in its capacity as Determination Agent by reference to a page on an information vending service (if Screen Rate Determination is specified in the Final Terms) in accordance with Condition 5B.03 (*Screen Rate Determination*), or if ISDA Determination is specified in the Final Terms, in accordance with Condition 5B.04 (*ISDA Determination*). If Index Linked Interest is specified as being applicable in the Final Terms, the relevant provisions for determining the rate of interest shall be specified in the relevant Final Terms. See Condition 5 (*Interest*).

***- A description of any market disruption or settlement disruption events that affect the underlying-Adjustment rules with relation to events concerning the underlying***

Any such events shall be specified in the Final Terms, if applicable.

***- Name of the calculation agent***

JPMorgan Chase Bank, N.A. London Branch or such other calculation agent as may be specified in the relevant Final Terms.

***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.***

Any such explanation shall be included in the Final Terms, if applicable.

**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***

Instruments may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. See Condition 6 (*Redemption and Purchase*) and Condition 9 (*Payments*).

Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the relevant Issuer.

Under Luxembourg Law on Prospectuses for Securities which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law.

**4.9 *An indication of yield. Describe the method whereby that yield is calculated in summary form***

The yield and method of calculation will be specified in the relevant Final Terms.

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***

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

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

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

The relevant Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend the Terms and Conditions of the Instruments and the Deed of Covenant insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to the Terms and Conditions of the Instruments or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Instruments. See Condition 13 (*Syndicate of Holders of the Instruments and Modification*).

The Issue and Paying Agency Agreement, together with the Dealership Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee may be inspected at the registered office of the Guarantor and at the offices of the Listing Agent, in each case at the address specified at the end of this Base Prospectus.

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.***

The update of the Programme was authorised by resolutions of the shareholders of Santander Issuances, S.A. Unipersonal on 31 October 2005, the Board of Directors of Santander Issuances, S.A. Unipersonal on 31 October 2005, the Shareholders of Santander International Debt, S.A. on 31 October 2005, the Board of Directors of Santander International Debt, S.A. on 31 October 2005, and the Executive Committee of the Board of Directors of the Guarantor on 31 October 2005.

4.12 ***In the case of new issues, the expected issue date of the securities.***

The relevant Issue Date shall be specified in the relevant Final Terms.

4.13 ***A description of any restrictions on the free transferability of the securities***

Transfer restrictions relating to registered Instruments which are offered and sold in the United States in reliance on Rule 144A shall be specified in the Final Terms. See also Section 5.2 “Plan of Distribution and Allotment”.

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:*

*- Information on taxes on the income from the securities withheld at source;*

**TAXATION AND DISCLOSURE OF HOLDER INFORMATION IN CONNECTION WITH INTEREST PAYMENTS**

*The following is a general description of certain Spanish tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their own tax advisers 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 Instruments and receiving any payments under the Instruments. This summary is based upon the law as in effect on the date of this document and is subject to any change in law that may take effect after such date.*

*In the event of an issue of unlisted Instruments, the applicable tax regime will be set out in the relevant Final Terms.*

**Taxation in Spain**

**Introduction**

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this document:

- (a) of general application, Additional Provision two of Law 13/1985, of 25th May on investment ratios, own funds and information obligations of financial intermediaries, as promulgated by Law 19/2003, of 4th July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, as well as Royal Decree 1778/2004, of 30th July establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules;
- (b) for individuals with tax residency in Spain which are Individual Income Tax (IRPF) taxpayers, Royal Legislative Decree 3/2004, of 5th March promulgating the Consolidated Text of the Individual Income Tax Law, and Royal Decree 1775/2004, of 30th July promulgating the Individual Income Tax Regulations, along with Law 19/1991, of 6th June on Wealth Tax and Law 29/1987, of 18th December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are Corporation Tax taxpayers, Royal Legislative Decree 4/2004, of 5th March promulgating the Consolidated Text of the Corporation Tax Law, and Royal Decree 1777/2004, of 30th July promulgating the Corporation Tax Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are non-resident income tax taxpayers, Royal Legislative Decree 5/2004, of 5th March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30th July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6th June on Wealth Tax and Law 29/1987, of 18th December on Inheritance and Gift Tax.

Whatever the nature and residence of the holder, the acquisition and transfer of the Instruments will be exempt from indirect taxes in Spain, i.e. exempt from Capital Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December regulating such tax.



## 1. **Individuals with Tax Residency in Spain**

### 1.1 ***Individual income tax (impuesto sobre la renta de las personas físicas)***

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Instruments constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 23.2 of the Individual Income Tax Law, and must be included in the general portion of the investor's taxable income.

Both types of income are subject to a withholding on account at the rate of 15%.

If the period during which such income is generated exceeds two years a reduction of 40% will be applied, for the effect of both withholdings and inclusion in taxable income.

### 1.2 ***Wealth tax (impuesto sobre el patrimonio)***

Individuals with tax residency in Spain under an obligation to pay Wealth Tax must take into account the amount of the Instruments which they hold as at 31st December in each year, when calculating their wealth tax liabilities.

### 1.3 ***Inheritance and gift tax (impuesto sobre sucesiones y donaciones)***

Individuals with tax residency in Spain who acquire ownership or other rights over any Instruments by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable regional or State rules.

## 2. **Legal Entities with Tax Residency in Spain**

### 2.1 ***Corporation tax (impuesto sobre sociedades)***

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Instruments constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in the profit and taxable income of legal entities with tax residency in Spain for corporation tax purposes in accordance with the rules for this tax.

In accordance with Section 59.s) of the Corporation Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporation Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. The Issuers intend to make an application for the Instruments to be traded on the Luxembourg Stock Exchange and, upon admission to trading on the Luxembourg Stock Exchange, they will therefore fulfil the requirements laid down by the legislation for exemption from withholding. The Directorate General for Taxation (Dirección General de Tributos — “DGT”), on 27th July 2004, issued a reply to a consultation indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that the Instruments be placed outside Spain in another OECD country. The Issuer considers that the issue of the Instruments will fall within this exemption as the Instruments are to be sold outside Spain and in the international capital markets and none of the entities initially placing the Instruments is resident in Spain. Consequently, the Issuer will not make any withholding on interest payments to Spanish Corporation Tax taxpayers that provide relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer will be bound by that opinion and with immediate effect, make the appropriate withholding and the Issuer will not, as a result, be under any obligation to pay additional amounts.

In order to implement the exemption from withholding, the procedures laid down in the Order of 22nd December 1999 will be followed. No reduction percentage will be applied. (Please see “Disclosure of Holder Information in connection with interest payments” below).

## 2.2 **Wealth tax (*impuesto sobre el patrimonio*)**

Legal entities are not subject to wealth tax.

## 2.3 **Inheritance and gift tax (*impuesto sobre sucesiones y donaciones*)**

Legal entities with tax residency in Spain which acquire ownership or other rights over the Instruments by inheritance, gift or legacy are not subject to inheritance and gift tax and must include the market value of the Instruments in their taxable income for Spanish corporation tax purposes.

## 3. **Individuals and Legal Entities with no tax residency in Spain**

### 3.1 **Non-resident income tax (*impuesto sobre la renta de no residentes*)**

#### (a) *With permanent establishment in Spain*

Ownership of the Instruments by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Instruments form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the legal rules applicable to income deriving from such Instruments are the same as those previously set out for Spanish Corporation Tax taxpayers.

#### (b) *With no permanent establishment in Spain*

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Instruments, obtained by individuals or entities who have no tax residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt. This exemption is not applicable if such income is obtained through countries or territories classified as tax havens (being those included in Royal Decree 1080/1991, of 5th July), in which case such income will be subject to Non-Resident Income Tax in Spain at the rate of 15% which the Issuer will withhold.

For these purposes it is necessary to comply with certain information obligations relating to the identity of the holders, in the manner detailed under “Disclosure of Holder information in connection with interest payments” as laid down in section 12 of Royal Decree 2281/1998, as promulgated by Royal Decree 1778/2004. If these information obligations are not complied with in the manner indicated the Issuer will apply a withholding of 15% and the Issuer will not, as a result, be under any obligations to pay additional amounts.

### 3.2 **Wealth tax (*impuesto sobre el patrimonio*)**

To the extent that income deriving from the Instruments is exempt from Non-Resident Income Tax, individuals who do not have tax residency in Spain who hold such Instruments will be exempt from wealth tax.

Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax will generally not be subject to wealth tax.

If the provisions of the foregoing two paragraphs do not apply, individuals who are not tax residents in Spain will be subject to wealth tax to the extent that rights deriving from the Instruments can be exercised in Spanish territory.

Non-resident legal entities are not subject to wealth tax.

### 3.3 ***Inheritance and gift tax (impuesto sobre sucesiones y donaciones)***

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Instruments by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with the applicable regional and state legislation.

Non-resident entities which acquire ownership or other rights over the Instruments by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

### 4. **Tax Rules for payments made by the Guarantor**

Payments which may be made by the Guarantor to holders, if the Guarantee is enforced, will be subject to the same tax rules previously set out for payments made by the Issuer.

### 5. **Tax havens**

Pursuant to Royal Decree 1080/1991, of 5th July the following are each considered to be a tax haven:

Principality of Andorra, Netherlands Antilles, Aruba, Kingdom of Bahrain, Sultanate of Brunei, Republic of Cyprus, United Arab Emirates, Gibraltar, Hong-Kong, The Island of Anguila, Islands of Antigua and Barbuda, The Bahamas, The Island of Barbados, The Bermuda Islands, Cayman Islands, The Cook Islands, The Republic of Dominica, Grenada, Fiji Islands,	Channel Islands (Jersey and Guernsey), Jamaica, Republic of Malta, Falkland Islands, Isle of Man, Marianas Islands, Mauritius, Montserrat, Republic of Nauru, Solomon Islands, Saint Vincent & the Grenadines, Saint Lucia, Republic of Trinidad and Tobago, Turks and Caicos Islands, Republic of Vanuatu, British Virgin Islands, Virgin Islands (of the United States),	Hashemite Kingdom of Jordan, Republic of Lebanon, Republic of Liberia, Principality of Liechtenstein, Grand Duchy of Luxembourg Area (as regards the income received by the Companies referred to in paragraph 1 of Protocol annexed Avoidance of Double Taxation Treaty, dated 3 June 1986), Macao, Principality of Monaco. Sultanate of Oman, Republic of Panama, Republic of San Marino, Republic of Seychelles, Republic of Singapore.
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### 6. **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

## 7. **Disclosure of Holder information in connection with interest payments**

*The Clearing Systems are currently in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The following is a summary only and is subject to the Clearing Systems' discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. Holders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Instruments. None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Agents or the Clearing Systems assume any responsibility therefor. In relation to listed Instruments which are not initially issued in global form, the procedures will be specified in the relevant Final Terms. In particular, procedures relating to listed Registered Instruments (which are not in global form) will need to reflect the fact that payments of Interest are made to holders of Instruments as of the Record Date (as defined in the Conditions). Unlisted Instruments will not be subject to the tax regime or reporting requirements established pursuant to the above legislation and their specific withholding tax regime will be specified in the relevant Final Terms.*

### 7.1 **Legal Entities with tax residency in Spain subject to Spanish Corporation tax**

In accordance with procedures established in the Issue and Paying Agency Agreement, the Agent must receive a list of those holders that are Spanish Corporation Tax taxpayers specifying the name, address, Tax Identification Number, ISIN code of the Instruments, number of Instruments held at each interest payment date, gross income and amount withheld, substantially in the form set out below (See Annex III below).

### 7.2 **Individuals and Legal Entities with no tax residency in Spain**

The information obligations to be complied with in order to apply the exemption are those laid down in Section 12 of Royal Decree 2281/1998 (“**Section 12**”), as promulgated by Royal Decree 1778/2004, being the following:

In accordance with sub-section 1 of such Section 12, a return must be made to the Spanish tax authorities specifying the following information with respect to the Instruments:

- (a) the identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, the identity and country of residence of that third party;
- (b) the amount of income received; and
- (c) details identifying the Instruments.

In accordance with sub-section 3 of such Section 12, for the purpose of preparing the return referred to in sub-section 1 of Section 12, the following documentation must be obtained on each payment of income evidencing the identity and residency of each holder:

- (a) if the non-resident holder acts on its own account and is a central bank, other public institution or international organisation, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD

country or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme, the entity in question must certify its name and tax residency in the manner laid down in Annex I of the Order of 16th September 1991, promulgated pursuant to Royal Decree 1285/1991 (See Annex I below), of 2nd August establishing the procedure for the payment of interest on Book Entry State Debt (as defined therein) to non-residents who invest in Spain without the intervention of a permanent establishment;

- (b) in the case of transactions in which any of the entities indicated in the foregoing paragraph (a) acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each holder in the manner laid down in Annex II of the Order of 16th September 1991 (See Annex II below);
- (c) in the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by that of another OECD member country, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each holder of the Instruments in the manner laid down in Annex II of the Order of 16th September 1991 (See Annex II below);
- (d) in other cases, residency must be evidenced by submission of the residency certificate issued by the tax authorities of the State of residency of the holder. These certificates will be valid for one year as from the date of issue.

In accordance with sub-section 4 of Section 12, for the purpose of implementing the exemption provided for, the following procedure must be followed: on the due date of each coupon the Issuer must transfer the net amount to the entities referred to in paragraph a), b) and c) resulting from applying the general withholding rate (currently 15%) to the whole of the interest. If the certificates referred to are received prior to expiry of the payment period, the Issuer will pay the amounts withheld to the extent that they correspond with the information provided.

In the case of both paragraph 7.1 and paragraph 7.2 above, in order for a beneficial owner to benefit from an exemption from withholding, the above documentation should be received by the Agent in accordance with the procedures established in the Issue and Paying Agency Agreement, which may be inspected during normal business hours at the specified office of the Issue and Paying Agent.

If the Issue and Paying Agent does not receive complete documentation in respect of an eligible holder by the specified deadline, such holder may obtain a quick refund of the full amount of withholding tax so withheld by ensuring that the documentation described above is received by the Issue and Paying Agent no later than 10.00 a.m. (CET) on the 10th calendar day of the month following the relevant interest payment date (or if such date is not a Business Day, the Business Day immediately preceding such date) (the “**Quick Refund Deadline**”).

Holders entitled to a refund but in respect of whom relevant documentation is not received by the Issue and Paying Agent on or before a Quick Refund Deadline may seek a full refund of withholding tax directly with the Spanish tax authorities.

Set out below are Annexes I, II and III. Sections in English have been translated from the original Spanish. In the event of any discrepancy, the Spanish version shall prevail.

**Annex I**

*The translation into English of this certificate is for information only and, in the case of discrepancy with the Spanish language version, such Spanish version will prevail*

**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 12.3.a) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/2004,**

(function) \_\_\_\_\_

,in the name and on behalf of the Entity indicated below, for the purposes of article 12.3.a) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004,

**Certifico:**

I 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 \_\_\_\_\_  
**(país 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 \_\_\_\_\_ (Supervisory 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 poseídos por cuenta propia**

Identification of securities held for 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

The translation into English of this certificate is for information only and, in the case of discrepancy with the Spanish language version, such Spanish version will prevail

**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 12.3.b) y c) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/2004,**

(function) \_\_\_\_\_  
,in the name and on behalf of the Entity indicated below, for the purposes of article 12.3.b) and c) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004,

**Certifico:**

I 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 \_\_\_\_\_  
*(país 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 \_\_\_\_\_ (Supervisory 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 o en los países o territorios que tienen en España la consideración de paraísos fiscal de acuerdo con las normas reglamentarias en vigor.**

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 amount of the relevant income is accurate, and does not include person(s) or institution(s) resident either in Spain or, in tax haven countries or territories as defined under Spanish applicable regulations.

**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

The translation into English of this certificate is for information only and, in the case of discrepancy with the Spanish language version, such Spanish version will prevail

**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 (a emitir por las entidades citadas en el art. 12.3.a residentes en España o en otros países de la OCDE) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/2004)**

Certificate for application of the exemption on withholding to Spanish corporation tax taxpayers and to permanent establishments of non-resident income tax taxpayers (to be issued by entities mentioned under article 12.3.a, being residents of Spain or of another OECD country) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004)

(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 59.5 del Real Decreto 1777/2004,

(function) \_\_\_\_\_

,in the name and on behalf of the Entity indicated below, for the purposes of article 59.5 of Royal Decree 1777/2004,

**Certifico:**

I 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 \_\_\_\_\_

(país estado, ciudad), con el número

(country, state, city), under number \_\_\_\_\_ .

4. **Que la Entidad que represento está sometida a la supervisión de**

that the institution I represent is supervised by \_\_\_\_\_ (Organismo supervisor)

en virtud de \_\_\_\_\_ (normativa que lo regula).

under \_\_\_\_\_ (governing rules).

5. **Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España 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 Corporations Tax taxpayers 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 20  
I certify the above in \_\_\_\_\_ on the \_\_\_\_\_ of \_\_\_\_\_ of 20

**RELACIÓN 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 15%**  
Name / Domicile / Fiscal Identification Number / Number of securities / Gross income / Amount withheld at 15%.

**- Indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.**

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

Neither the relevant Issuer nor the Guarantor shall be required to pay any such additional amounts as referred to above in relation to any payment in respect of any Instrument or Coupon in the circumstances described in Condition 8.02. In particular, prospective Holders should note that no such additional amounts are payable to Holders in respect of whom the relevant Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Holder's identity and tax residence as it may require in order to comply with Law 19/2003 of 4 July and any implementing legislation (see Condition 8.02(ii)) or to, or to the third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain or a resident in a tax haven (see Condition 8.02(vi)).

## **Taxation in Luxembourg**

### **Luxembourg taxation**

*The following is a general description of certain Luxembourg tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments, whether in Luxembourg or elsewhere. Prospective purchasers of the Instruments should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Instruments and receiving payments of interest, principal and/or other amounts under the Instruments and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Base Prospectus. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Instruments.*

#### **(A) Withholding Tax**

All payments of interest and principal under the Instruments can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg law, subject however to the application of the Luxembourg law of June 21, 2005 implementing the European Union Savings Directive (see, paragraph (G)“**EU Savings Directive**” below, which may be applicable in the event of the Issuers appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive”);

#### **(B) Taxes on Income and Capital Gains**

A holder of a Note who derives income from such Note or who realizes a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains unless:

- (i) such holder is, or is deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions); or

- (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg;

**(C) Net Wealth Tax**

Luxembourg net wealth tax will not be levied on a holder of a Note unless:

- (i) such holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or
- (ii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg;

**(D) Inheritance and Gift Tax**

Where the Instruments are transferred for no consideration, note in particular:

- (i) No Luxembourg inheritance tax is levied on the transfer of the Instruments upon death of a holder of a Note in cases where the deceased holder was not a resident of Luxembourg for inheritance tax purposes;
- (ii) Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary;

**(E) Other Taxes and Duties**

It is not compulsory that the Instruments be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty (other than court fees and contributions for the registration with the Chamber of Commerce) be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Instruments in accordance therewith, except that in case of court proceedings in a Luxembourg court (including but not limited to a Luxembourg insolvency proceeding), registration of the Instruments may be ordered by the court, in which case the Instruments will be subject to a fixed or *ad valorem* duty depending on the exact nature of the Instruments. Registration would in principle further be ordered, and the same registration duties could be due, when the Instruments are produced, either directly or by way of reference, before an official authority ("*autorité constituée*") in Luxembourg.

**(F) Residence**

A holder of a Note will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Note or the execution, performance, delivery and/or enforcement of that or any other Note;

**(G) EU Savings Directive**

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is, in principle, applied by Member States as from July 1, 2005 and has been implemented in Luxembourg by the Law of June 21, 2005. Under the directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within the meaning of the EU Savings Directive to an individual (or certain types of entities called "residual entities") resident in that other Member State. For a transitional period, however, Austria, Belgium and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner does not comply with one of two procedures for information reporting, the Member State will levy a withholding tax on payments to such beneficial owner, at rates rising over the course of the transitional period to 35%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the

end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. See “European Union Directive on the Taxation of Savings Income in the Form of Interest Payments (Council Directive 2003/48/EC).

## 5 TERMS AND CONDITIONS OF THE OFFER

### 5.1 *Conditions, offer statistics, expected timetable and action required to apply for the offer*

#### 5.1.1 *Conditions to which the offer is subject.*

To be specified in the Final Terms.

#### 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.*

To be specified in the Final Terms.

#### 5.1.3 *The time period, including any possible amendments, during which the offer will be open and description of the application process*

To be specified in the Final Terms.

#### 5.1.4 *A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.*

To be specified in the Final Terms.

#### 5.1.5 *Details of the minimum and/or maximum amount of application, (whether in number of securities or aggregate amount to invest).*

To be specified in the Final Terms.

#### 5.1.6 *Method and time limits for paying up the securities and for delivery of the securities*

To be specified in the Final Terms.

#### 5.1.7 *A full description of the manner and date in which results of the offer are to be made public.*

To be specified in the Final Terms.

#### 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.*

To be specified in the Final Terms.

### 5.2 *Plan of distribution and allotment*

#### 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.*

##### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an

offer of Instruments 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 Instruments to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a base prospectus in relation to those Instruments 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, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Instruments to the public” in relation to any Instruments 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 Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the **Prospectus Directive** in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### *United States of America*

*Regulation S Category 2; TEFRA D; Rule 144A eligible if so specified in the relevant Final Terms.*

Instruments have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments 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 United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Instruments during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons. In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or

sale of Instruments within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each Tranche of Instruments will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer(s) may agree and as indicated in the relevant Final Terms.

#### *United Kingdom*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) **No deposit-taking:** in relation to any Instruments which have 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 Instruments 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 Instruments would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the relevant Issuer;
- (b) **Final promotion:** 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 or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

#### *Spain*

The Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments.

Neither the Instruments nor the Base Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Base Prospectus is not intended for any public offer of the Instruments in Spain.

#### *Japan*

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or re-sale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### *Switzerland*

Each Dealer has agreed that any issue of Instruments denominated in Swiss Francs will be in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

#### **5.2.2 *Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made***

To be specified in the Final Terms.

### **5.3 *Pricing***

#### **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.***

To be specified in the Final Terms.

### **5.4 *Placing and Underwriting***

#### **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.***

See paragraph 5.4.3.

#### **5.4.2 *Name and address of any paying agents and depository agents in each country***

The names and addresses of each of the Paying Agents and of the Registrar is specified at the end of this Base Prospectus.

#### **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.***

Instruments may be sold from time to time by the relevant Issuer to any one or more of ABN AMRO Bank N.V., Banco Santander de Negócios Portugal, S.A., Barclays Bank PLC, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), Merrill Lynch International, Morgan Stanley & Co. International Limited, Société Générale, The Royal Bank of Scotland plc and UBS Limited (the “**Dealers**”). Instruments may also be sold by the Issuer direct to institutions who are not Dealers. The arrangements under which Instruments may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 17 November (as amended or supplemented from time to time, the “**Dealership Agreement**”) and made between the Issuers, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments. The addresses of each of the Dealers is specified at the end of this Base Prospectus. The names and addresses of the Manager(s) of any particular issue of Instruments shall be specified in the relevant Final Terms.



5.4.4 *When the underwriting agreement has been or will be reached.*

To be specified in the Final Terms.

5.5 *Additional Disclosure Requirements for Derivative Securities (Annex XII)*

5.5.1 *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.*

To be specified in Final Terms.

5.5.2 *The exercise price or the final reference price of the underlying*

To be specified in Final Terms.

5.5.3 *A statement setting out the type of the underlying and details of where information on the underlying can be obtained:*

- *an indication where information about the past and the further performance of the underlying and its volatility can be obtained.*
- *where the underlying is a security.*
- *the name of the issuer of the security.*
- *where the underlying is an index.*
- *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.*
- *where the underlying is an interest rate.*
- *a description of the interest rate.*
- *others:*
  - *where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.*
  - *where the underlying is a basket of underlyings.*
    - *disclosure of the relevant weightings of each underlying in the basket.*

To be specified in Final Terms.

5.5.4 *A description of any market disruption or settlement disruption events that affect the underlying.*

To be specified in Final Terms.

5.5.5 *Adjustment rules with relation to events concerning the underlying.*

To be specified in Final Terms.

5.5.6 *Name and address of a calculation agent.*

To be specified in Final Terms.

5.5.7 *An indication in the prospectus whether or not the issuer intends to provide post-issuance information. Where the issue has indicated that it intends to report such information, the issuer shall specify in the prospectus what information will be reported and where such information can be obtained.*

To be specified in Final Terms.

## 6 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

- 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. If known, give the earliest dates on which the securities will be admitted to trading*

To be specified in the Final Terms.

- 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.*

To be specified in the Final Terms.

- 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*

To be specified in the Final Terms.

## 7 ADDITIONAL INFORMATION

- 7.1 *If advisors connected with an issue are mentioned in the Base Prospectus, a statement of the capacity in which the advisors have acted.*

The legal advisers and capacity in which they act are specified at the end of this Base Prospectus.

- 7.2 *An indication of other information in the Base Prospectus 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.*

No such information is included.

- 7.3 *Where a statement or report attributed to a person as an expert is included in the Base Prospectus, 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 Base Prospectus.*

No such statement or report is included.

- 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.*

No such information is included.

- 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.*

Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Instruments and may subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency.



## TERMS AND CONDITIONS OF THE INSTRUMENTS

### Introduction

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

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

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

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

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

## **1. Form and Denomination**

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

### *Form of Bearer Instruments*

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

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

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

**1.04** Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole (but not in part only), at the option of the Holder of such Permanent Global Instrument, for serially numbered Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the relevant Final Terms) Registered Instruments, (a) if any Instrument of the relevant Series becomes due and repayable following an Event of Default (as defined herein); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so or announces its intention to withdraw its acceptance of the Instruments for clearance and settlement through its system or in fact does so; or (c) if so specified in the Final Terms, at the option of the Holder of such Permanent Global Instrument upon such Holder’s request, in all cases at the cost and expense of the Issuer,

unless otherwise specified in the relevant Final Terms. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Issue and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Instruments and/or Registered Instruments and such default is continuing at 6.00 p.m. (Luxembourg time) on the thirtieth day after the day on which the relevant notice period expires or, as the case may be, such Permanent Global Instrument becomes so exchangeable, such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

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

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

#### *Form of Registered Instruments*

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

#### *Denomination of Bearer Instruments*

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

#### *Denomination of Registered Instruments*

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

#### *Currency of Instruments*

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

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

## **2. Title**

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

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

**2.03** The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

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

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

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

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

For the purposes of these Terms and Conditions,

- (i) “**Relevant Banking Day**” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument, where such request for exchange is made to the Issue and Paying Agent, in the place where the specified office of the Issue and Paying Agent is located;

- (ii) the “**exchange date**” shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.05; and
- (iii) the “**transfer date**” shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.04 and all reasonable requirements of the Issuer and the Registrar shall have been satisfied in respect of such transfer.

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

**2.08** Upon the transfer, exchange or replacement of Registered Instruments bearing the private placement legend (the “**Private Placement Legend**”) set forth in the form of Registered Instrument scheduled to the Issue and Paying Agency Agreement, the Registrar shall deliver only Registered Instruments that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Instruments or (2) the last date on which the relevant Issuer or any affiliates (as defined below) of the relevant Issuer as notified to the Registrar by the relevant Issuer as provided in the following sentence, was the beneficial owner of such Instrument (or any predecessor of such Instrument) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the relevant Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The relevant Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its “affiliates” (as defined in paragraph (a)(1) of Rule 144 under the Securities Act of 1933, as amended (the “**Securities Act**”)) not to acquire any beneficial interest, in any Registered Instrument bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. The Registrar and all Holders of Instruments shall be entitled to rely without further investigation on any such notification (or lack thereof).

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

### **3. Status of the Instruments and the Guarantee**

#### ***Status of Senior Instruments***

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

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



### **Senior Guarantee**

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

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

### **Status of Subordinated Instruments**

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

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

### **Subordinated Guarantee**

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

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

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

## **4. Negative Pledge**

(a) So long as any of the Senior Instruments, Receipts or Coupons remain outstanding (as defined in the Issue and Paying Agency Agreement) or any amount remains payable under the Senior Guarantee neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its present or future assets, undertakings or

revenues as security for any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, Santander International's obligations under the Senior Instruments, Receipts and Coupons or, as the case may be, the Guarantor's obligations under the Senior Guarantee (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by a resolution of the relevant Syndicate of Holders of the Senior Instruments.

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

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

## **5. Interest**

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

### **5A Interest — Fixed Rate**

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

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

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

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



### 5B.03 Screen Rate Determination

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

- (i) the Determination Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period (as defined in Condition 5D.02) on the Relevant Screen Page as of 11.00 a.m. (London time) on the second London Banking Day or, in the case of Instruments denominated in Euro, on the second TARGET Business Day, before (or, in the case of Instruments in another currency if so specified in the relevant Final Terms, on) the first day of the relevant Interest Period (the “**Interest Determination Date**”);
- (ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Determination Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market or, where the basis for calculating the Rate of Interest is EURIBOR, in the Euro-zone interbank market, selected by the Determination Agent, at approximately 11.00 a.m. (London time) on the Interest Determination Date to prime banks in the London interbank market or, where the basis for calculating the Rate of Interest is EURIBOR, in the Euro-zone interbank market for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (iv) if fewer than two rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (as defined in Condition 9C.03) (or, in the case of Instruments denominated in Euro, in such financial centre or centres as the Determination Agent may select) selected by the Determination Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

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

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

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

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

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

## **5C Interest — Other Rates**

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

## **5D Interest — Supplemental Provision**

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

### *Interest Payment Date Conventions and other Calculations*

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

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

the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred provided that:

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

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

- (i) if “**Actual/365**” or “**Actual/Actual**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

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

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

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

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

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

**5D.03** The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Issue and Paying Agent. The Issue and Paying Agent will cause all such determination or calculations to be notified to the other Paying Agents and, in the case of Registered Instruments, the Registrar (from whose respective specified offices such information will be available) and to the Holders in accordance with Condition 14 as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or, if earlier, in the case of notification to any listing authority, stock exchange and/or quotation system, the time required by the rules of any such listing authority, stock exchange and/or quotation system. The Determination Agent will be entitled to

amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 5D.03.

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

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

#### ***Accrual of Interest***

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

#### **5E Non-Interest Bearing Instruments**

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

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

## 6. Credit Linked Instruments

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

### (a) *Redemption of Credit Linked Instruments*

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

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

### (b) *Cash Settlement*

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

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

### (c) *Physical Settlement*

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

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

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



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

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

(d) *Repudiation/Moratorium Extension*

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

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

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

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

(e) *Grace Period Extension*

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

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Termination Date but a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect



of which a Grace Period is applicable on or prior to the Scheduled Termination Date (and such Grace Period(s) is/are continuing as at the Scheduled Termination Date), then:

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

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

(f) *Maturity Date Extension*

If:

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

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

where:

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

- (ii) where
  - (A) in the case of Condition 6(f)(x), Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 6(b) or 6(c) as applicable shall apply to the Instruments; or
  - (B) in the case of Condition 6(f)(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 6(d) shall apply to the Instruments

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

(g) *Physical Delivery*

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

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

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

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

An Asset Transfer Notice must:

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

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

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

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

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

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

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

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

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

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

(h) *Partial Cash Settlement*

If all or a portion of the Undeliverable Obligations or Hedge Disruption Obligations comprising the Asset Amount in respect of a Note are not Delivered by the Final Delivery Date, the Issuer shall give notice (a “Cash Settlement Notice”) to the Holders in accordance with Condition 13 and the Issuer shall pay in respect of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, the Cash Settlement Amount on the Cash Settlement Date

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

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

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

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

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

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

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

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

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

“Quotation Method” is deemed to be Bid.

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

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

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



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

(i) *Redemption following a Merger Event*

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

(j) *Definitions applicable to Credit Linked Notes*

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

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

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

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

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

“Include Accrued Interest” is specified as applying in the applicable Final Terms, but excluding accrued but unpaid interest if “Exclude Accrued Interest” is specified as applying in the applicable Final Terms, and if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified as applying in the applicable Final Terms, excluding accrued but unpaid interest); or

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

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

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

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

“Bankruptcy” means a Reference Entity:

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



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

“Best Available Information” means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

“A” is the lowest Specified Denomination;

“B” is the Final Price; and

“C” is Unwind Costs,

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

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

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

“Currency Rate” means:

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

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

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

Obligation. “Delivery” and “Delivered” will be construed accordingly in the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time

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

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

amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only)

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

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

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

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

(iii) “Consent Required Loan” means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;

(iv) “Direct Loan Participation” means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer or the Guarantor, as the case may be, (to the extent that the Issuer or the Guarantor, as applicable, is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);

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

(B) Interpretation of Provisions

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



- (3) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics; and
- (4) in the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:
  - (i) For purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.
  - (ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law
  - (iii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Deliverable Obligation Characteristic of Not Subordinated, if specified in the applicable Final Terms.
  - (iv) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
  - (v) For purposes of the application of the Obligation Characteristics of the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
  - (vi) The terms “Outstanding Principal Balance” and “Due and Payable Amount” (as they are used in these Terms and Conditions, including without limitation, the definitions of “Cash Settlement Amount” and “Quotation Amount” in Condition 6(h)), when used in connection with Qualifying Guarantees are to be interpreted to be the then “Outstanding Principal Balance” or “Due and Payable Amount”, as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.



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

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

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

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

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

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

“Eligible Transferee” means each of the following:

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

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

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

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

“Equity Securities” means:

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

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

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

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

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

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

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

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

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

“Grace Period” means:

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

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

“Grace Period Extension Date” means, if:

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

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

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

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

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

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

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation

Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and

- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day

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

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

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

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

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

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

“Obligation” means:

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

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

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

(2) the date on which such Reference Obligation was issued or incurred and shall not reflect any change to such ranking in priority of payment after such later date;

(b) “Subordination” means, with respect to an obligation (the “Subordinated Obligation”) and another obligation of the Reference Entity to which such obligation is being compared (the “Senior Obligation”), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. “Subordinated” will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;

(2) “Specified Currency” means an obligation that is payable in the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is specified in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively in the applicable Final Terms as the “Standard Specified Currencies”);

(3) “Not Sovereign Lender” means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as “Paris Club debt”;

(4) “Not Domestic Currency” means any obligation that is payable in any currency other than the Domestic Currency;

(5) “Not Domestic Law” means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;

(6) “Listed” means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and

(7) “Not Domestic Issuance” means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity

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

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



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

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

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

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

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

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

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

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

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

“Publicly Available Information” means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
  - (i) has been published in or not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer, the Guarantor or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer, the Guarantor or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation;



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Repudiation/Moratorium Extension Condition” means the delivery of a Repudiation/Moratorium Extension Notice and, if specified as applicable in the applicable Final Terms, Notice of

Publicly Available Information by the Calculation Agent to the Issuer that is effective during the period from and including the Trade Date to and including the Scheduled Termination Date or, if Condition 6(f)(y) applies, the Postponed Maturity Date

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (a) In the event that:
  - (i) a Reference Obligation in respect of such Reference Entity is redeemed in whole; or
  - (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation in respect of such Reference Entity have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation in respect of such Reference Entity is an Underlying

Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation in respect of a Reference Entity is no longer an obligation of such Reference Entity,

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

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

then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date (if any) and (C) the Repudiation/Moratorium Evaluation Date (if any) If (i) either Cash Settlement is specified in the applicable Final Terms and the Credit Event Redemption Amount is



determined by reference to a Reference Obligation or Physical Delivery is specified in the applicable Final Terms and the Reference Obligation is the only Deliverable Obligation and (ii) on or prior to the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date, a Substitute Reference Obligation has not been identified, the obligations of the Issuer under the Holders shall cease as of the later of (A) the Scheduled Termination Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date.

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

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

“Successor” means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
  - (i) if one entity directly or indirectly succeeds to seventy-five per cent or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent, (but less than seventy-five per cent) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with Reference Entity, the entities that succeed to more than twenty-five per cent of the Relevant Obligations will each be a Successor and these Terms and Conditions and or the applicable Final Terms will be adjusted as provided below;
  - (iv) if one or more entity each directly or indirectly succeed to more than twenty-five per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;
  - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and



- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and
- (b) in relation to a Sovereign Reference Entity, any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity

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

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

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

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

Where:

- (A) a Reference Obligation is specified in the applicable Final Terms; and
- (B) one or more Successors to the Reference Entity have been identified; and

(C) any one or more such Successors have not assumed the Reference Obligation,

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

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

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

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

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

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

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

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

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

“Valuation Method”:

- (a) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and only one Valuation Date:
  - (i) “Market” means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or

- (ii) “Highest” means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

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

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

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

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

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

- (d) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and more than one Valuation Date:
  - (i) “Average Blended Market” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or
  - (ii) “Average Blended Highest” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

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

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

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

“Weighted Average Quotation” means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount (but, if a Minimum Quotation Amount

is specified in the applicable Final Terms, of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount

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

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

- (a) the Calculation Agent may deliver a Credit Event Notice in respect of an amount (the “Partial Redemption Amount”) that is less than the principal amount outstanding of each Note immediately prior to the delivery of such Credit Event Notice. In such circumstances the provisions of Condition 6 shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (i) the principal amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the principal amount outstanding of such Note as provided in Condition 3 (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate), (ii) the provisions of Condition 6 shall apply to such principal amount outstanding of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event and (iii) once a Credit Event Notice with respect to a Restructuring Credit Event has been delivered in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the Restructuring Credit Event.
- (c) If the provisions of this Condition 6(k) apply in respect of the Holders, on redemption of part of each such Note the relevant Note or, if the Holders are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption

(l) *Provisions relating to Multiple Holder Obligation*

If Condition 6(l) is specified as applicable in the applicable Final Terms, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in 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

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

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

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

- (b) Interpretation of Provisions. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, paragraph (B) of the definition of “Deliverable Obligation” in Condition 6(j) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:
- (i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in this Condition 6 in respect of such an Insured Instrument shall be construed accordingly;
  - (ii) references in the definitions of Assignable Loan and Consent Required Loan to “the guarantor” and “guaranteeing” shall be deemed to include “the insurer” and “insuring”, respectively;
  - (iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;
  - (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
  - (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “Outstanding Principal Balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- (c) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 6(m) is applicable, no inference should be made as to the interpretation of the “Not Contingent” Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies
- (d) Deliver. For the purposes of the definition of “Deliver” in Condition 6(j), “Deliver” with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.
- (e) Provisions for Determining a Successor. The paragraph commencing “For the purposes of this definition of “Successor” in the definition of “Successor” in Condition 6(j) is hereby amended by adding “or insurer” after “or guarantor”.

- (f) Substitute Reference Obligation. The first paragraph of the definition of “Substitute Reference Obligation” and paragraph (b) thereof in Condition 6(j) is hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”. For purposes of sub-paragraph (a)(ii)(B) the definition of “Substitute Reference Obligation” references to “the Qualifying Guarantee” and the “Underlying Obligation” shall be deemed to include “the Qualifying Policy” and “the Insured Instrument”, respectively
- (g) Other Provisions. For purposes of paragraph (a)(ii) of the definition of “Deliverable Obligation” and the definitions of “Credit Event” and “Deliver” in Condition 6(j) references to “the Underlying Obligation” and “the Underlying Obligor” shall be deemed to include “Insured Instruments” and the “Insured Obligor”, respectively
- (h) Additional Definition.

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

“Instrument Payments” means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 6(n)(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy)

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

- (n) *Supplement to provisions relating to Qualifying Guarantee and Underlying Obligation*
  - (a) If this Condition 6(n) is specified as applicable in the applicable Final Terms, Condition 6(j) shall be amended by:
    - (i) the deletion of the definition of “Downstream Affiliate” and the substitution of the following therefor:
 

“Downstream Affiliate” means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50% owned, directly or indirectly, by the Reference Entity”;
    - (ii) the deletion of paragraphs (B)(4)(ii) and (B)(4)(iii) of the definition of “Deliverable Obligation”, the substitution of the following therefor and the re-numbering of the remaining paragraphs accordingly:
 

“(ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying



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

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

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

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

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

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

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

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 6 shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Holders. In performing its duties pursuant to the Holders, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Holders, including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent, the Issuer and the Guarantor shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

In relation to the delivery by the Calculation Agent to the Issuer or the Guarantor, as applicable, of any notice pursuant to this Condition 6, a notice delivered on or prior to 4:00 pm (Calculation



Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day or on a day which is not a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

## **7. Redemption and Purchase**

### ***Redemption at Maturity***

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

### ***Early Redemption for Taxation Reasons***

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

obliged to pay such additional amounts were a payment in respect of the Instruments then due and (ii) in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), that the Banco de España consents to redemption of the Subordinated Instruments.

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

#### ***Optional Early Redemption (Call)***

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

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

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

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

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

#### ***Partial Redemption***

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

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

the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof,

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

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

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

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

#### ***Optional Early Redemption (Put)***

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

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

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

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

#### ***Purchase of Instruments***

**7.07** The Issuers and the Guarantor and any of their respective subsidiaries may at any time purchase Instruments (except for Subordinated Instruments which qualify as regulatory capital (*recursos propios*)) in the

open market or otherwise and at any price provided that, in the case of interest-bearing Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith.

#### ***Cancellation of Redeemed and Purchased Instruments***

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

#### ***Further Provisions applicable to Redemption Amount and Instalment Amounts***

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

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

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

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

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

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

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

#### ***Notices***

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

#### ***Notification of Luxembourg Stock Exchange***

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

## 8. Events of Default

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

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



deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (vi) *Insolvency proceedings*: if (a) proceedings are initiated against the relevant Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant Issuer or the Guarantor or in relation to the whole or a part of the undertaking or assets of either of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of either of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets or any of them and (b) in any case is not discharged within 14 days; or
- (vii) *Arrangements with creditors*: if the relevant Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (viii) *Guarantee*: if any of the Senior Guarantee or the Subordinated Guarantee ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under either the Senior Guarantee or the Subordinated Guarantee or either the Senior Guarantee or the Subordinated Guarantee is claimed by the relevant Issuer or the Guarantor not to be in full force and effect.

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

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

## **9. Taxation**

**9.01** All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Instruments, the Receipts and the Coupons, the Senior Guarantee and the Subordinated Guarantee by an Issuer or the Guarantor (as the case may be) will be made free and clear of and without withholding or deduction

for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the relevant Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Holder of any Instrument or Coupon of such amounts as would have been received by them had no such withholding or deduction been required.

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

- (i) to, or to a third party on behalf of, a Holder of an Instrument or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with Spain other than the mere holding of such Instrument or Coupon; or
- (ii) to, or to a third party on behalf of, a Holder in respect of whom the relevant Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Holder's identity and tax residence as it may require in order to comply with Law 19/2003 of 4 July and any implementing legislation; or
- (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
- (iv) where the withholding or deduction referred to in Condition 9.01 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a Holder of an Instrument or Coupon who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the European Union; or
- (vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain or a resident in a tax haven (as defined in Royal Decree 1080/1991 of 5 July as amended from time to time); or
- (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax if the Spanish tax authorities determine that the Instruments do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27th July 2004 and require a withholding to be made.

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

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



## **10. Payments**

### **10A Payments — Bearer Instruments**

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

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

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

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

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

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

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

- (i) in the case of Definitive Instruments which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption

amount due) (excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such final redemption amount;

- (ii) in the case of Definitive Instruments which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and
- (iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

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

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

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

## **10B. Payments — Registered Instruments**

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

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

interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5D.05.

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

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

### **10C Payments — General Provisions**

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

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

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

- (i) “**Business Day**” means a day:
  - in relation to Instruments denominated or payable in Euro which is a TARGET Business Day; and
  - in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
  - on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms;
- (ii) “**local banking day**” means a day (other than a Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon;

- (iii) “**Relevant Financial Centre**” means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “Business Day” in the ISDA Definitions;
- (iv) “**Relevant Financial Centre Day**” means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre (which in the case of Australian dollars shall be Melbourne and which in the case of New Zealand dollars shall be Wellington) and in any other place specified in the relevant Final Terms and in the case of payment in Euro, a day which is a TARGET Business Day;
- (v) “**TARGET Business Day**” means a day in which the TARGET System is operating; and
- (vi) “**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

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

## **11. Prescription**

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

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

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

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

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

### **13. Replacement of Instruments**

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

### **14. Syndicate of Holders of the Instruments and Modification**

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

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

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

The relevant Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Instruments.

For the purposes of these Terms and Conditions,

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

### **15. Notices**

#### ***To Holders of Bearer Instruments***

**15.01** Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified herein or in the relevant Final Terms, be deemed to be validly given if published in an English language daily newspaper in London (which is expected to be the *Financial Times*) or on the website of the



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

#### ***To Holders of Registered Instruments***

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

#### ***To Commissioners***

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

### **16. Further Issues**

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

### **17. Currency Indemnity**

The currency in which the Instruments are denominated or, if different, payable, as specified in the relevant Final Terms (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the relevant Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the relevant Issuer shall only constitute a discharge to the relevant Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the relevant Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the relevant Issuer shall indemnify each such Holder against any cost of making

such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the relevant Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the relevant Issuer.

## **18. Waiver and Remedies**

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

## **19. Law and Jurisdiction**

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

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

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

**19.04** The Issuers and the Guarantor agree that the process by which any proceedings in England are begun may be served on them by being delivered to Banco Santander Central Hispano, S.A., London Branch at Santander House, 100 Ludgate Hill, London EC4M 7NJ or such other person on whom, and at such other place at which, process may from time to time be served on the Guarantor in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If the appointment of the person mentioned in this Condition 19.04 ceases to be effective, the Issuers and the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Issuers and the Guarantor and delivered to the Issuers and the Guarantor or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law.

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

## **20. Rights of Third Parties**

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



## PRO FORMA FINAL TERMS

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

### Final Terms dated ●

#### [Santander International Debt, S.A. Unipersonal Santander Issuances, S.A. Unipersonal]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]  
Guaranteed by Banco Santander Central Hispano, S.A.  
under the **€25,000,000,000 Programme for the Issuance of Debt Instruments**  
**guaranteed by Banco Santander Central Hispano, S.A.**

### PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 17 November 2005 [and the supplemental Base Prospectus dated 17 November which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 17 November 2005. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at the registered office of each of the Issuers and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, JPMorgan Chase Bank, N.A., London Branch at Trinity Tower, 9 Thomas More Street, London E1W 1WT and at the offices of the Paying Agent and Listing Agent, J.P. Morgan Bank Luxembourg S.A. at European Bank & Business Centre, 6, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg and [on the website [www.bourse.lu](http://www.bourse.lu)] and copies may be obtained from the addresses specified above.]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 17 November 2005 [and the supplemental Base Prospectus dated [●]]<sup>1</sup>. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 17 November 2005 [and the supplemental Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 17 November 2005 and [current date] [and the supplemental Base Prospectuses dated [●] and [●]]. [The Base Prospectus [and the supplemental Base Prospectuses] are available for viewing at the registered office of each of the Issuers and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, JPMorgan Chase Bank, N.A., London Branch at Trinity Tower, 9 Thomas More Street, London E1W 1WT and at the offices of the Paying Agent and Listing Agent, J.P. Morgan Bank Luxembourg S.A. at European Bank & Business Centre, 6, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, and [on the website [www.bourse.lu](http://www.bourse.lu)] and copies may be obtained from the addresses specified above.]

<sup>1</sup> *Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.*

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

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

1. (i) Issuer: [Santander International Debt, S.A. Unipersonal/Santander Issuances, S.A. Unipersonal].  
(ii) Guarantor: Banco Santander Central Hispano, S.A.
2. (i) Series Number: [ ]  
(ii) Tranche Number: [ ]  
[(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible).]
3. Specified Currency or Currencies: [ ]
4. Aggregate Principal Amount: [ ]  
(i) Series: [ ]  
(ii) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]
6. Specified Denominations: *(Instruments (including Instruments denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S19 FSMA and] which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)*  
[ ]
7. (i) Issue Date: [ ]  
(ii) Interest Commencement Date (if different from the Issue Date): [ ]
8. Maturity Date: *[Specify date or (for Floating Rate — Instruments) Interest Payment Date falling in the relevant month and year]*
9. Interest Basis: [● % Fixed Rate]  
[specify reference rate] +/- ● % Floating Rate]  
[Non-Interest Bearing]  
[Index-Linked Interest]  
[Other (specify)]  
(further particulars specified below)

10. Redemption/Payment Basis:<sup>2</sup> [Redemption at par]  
[Index-Linked Redemption]  
[Partly Paid]  
[Instalment]  
[Other (*specify*)]
11. Change of Interest or Redemption/  
Payment Basis: [*Specify details of any provision for convertibility of Instruments  
into another interest or redemption/payment basis*]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. [ (i) ] Status of the Instruments: [Senior/Subordinated]  
[ (ii) ] Status of the Guarantee: [Senior/Subordinated]  
[ (iii) ] [Date [Board] approval for issuance of Instruments [and Guarantee] obtained: (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Instruments or related Guarantee*)
14. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

*Specify the matters required for the relevant Condition, that is to say:*

15. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Commencement Date: [*If different than the Issue Date*]
- (iii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [specify Business Day Convention/not adjusted].
- (iv) Fixed Coupon Amount[(s)]: [ ] per [ ] in Nominal Amount
- (v) Day Count Fraction: [30/360]/[30E/360]/[Actual/Actual (ICMA)]/ other ( *give details*)
- (vi) Determination Dates: [ ] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.  
  
*(N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
- (viii) Other terms relating to the method of calculating interest for Fixed Rate Instruments: [Not Applicable/give details]

<sup>2</sup> *If the Maturity Redemption Amount is less than 100% of the nominal value the Instruments will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.*

16. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [ ]
- (ii) Interest Payment Dates: [ *If Modified Following Business Day Convention applies*]
- (iii) Business Day Convention: [FRN Convention/Following Business Day Convention/Modified Following Business Day Convention/other (*give details*)]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (v) Screen Rate Determination
- Reference Rate: [ ]
- Interest Determination Date(s): [ *If different from that specified in Condition 5B.03(i) in relation to the relevant currency*]
- Relevant Screen Page: [ ]
- (vi) ISDA Determination:
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (vii) Margin(s): [+/-] [ ] per cent. per annum
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]
- (xi) Fall back provisions, rounding provisions denominator and any other terms relating to the method of calculating interest on Floating Rate Instruments if different from those set out in the Conditions: [ ]
17. **Non-Interest Bearing Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [ ] per cent per annum
- (ii) Day Count Fraction: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]

18. **Index-Linked Interest Instrument/  
other Variable-Linked Interest  
Instrument Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this  
paragraph)*
- (i) Index/Formula/other variables: [give or annex details]
- (ii) Provisions for determining [ ]  
Coupon where calculation by  
reference to Index and/or  
Formula and/or other variables  
is impossible or impracticable  
or otherwise disrupted: *(Need to include a description of market disruption settlement,  
disruption events and adjustment provisions).*
- (iii) Determination Date(s): [ ]
- (iv) Specified Period(s)/Specified [ ]  
Interest Payment Dates:
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/  
Modified Following Business Day Convention/other *(give details)*]
- (vi) Minimum Rate/Amount of [ ] per cent. per annum  
Interest:
- (vii) Maximum Rate/Amount of [ ] per cent. per annum  
Interest:
- (viii) Day Count Fraction: [ ]
19. **Other Rates Provisions:** [Applicable/Not Applicable]  
*(Set out full interest determination provisions e.g. interest  
commencement date, rate of calculation basis for interest or  
actual amounts of interest payable, amount and dates for  
payment, applicable convention)*

**PROVISIONS IN RELATION TO REDEMPTION**

20. **Call Option:** [Condition 7.03 is Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this  
paragraph)*
- (i) Optional Early Redemption [ ]  
Date(s):
- (ii) Early Redemption Amount [ ] per Instrument of [ ] specified  
(Call) of each Instrument and denomination  
method, if any, of calculation  
of such amount(s):
- (iii) If redeemable in part:
- (a) Minimum Redemption [ ]  
Amount:
- (b) Maximum Redemption [ ]  
Amount:
- (iv) Notice period<sup>3</sup> [ ]

<sup>3</sup> If setting notice periods which are different to those provided in the terms and conditions, issuers are 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 its fiscal agent or any trustee.

21. **Put Option** [Condition 7.06 is Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Early Redemption Date(s): [ ]
- (ii) Early Redemption Amount (Put) of each Instrument and method, if any, of calculation of such amount(s): [ ] per Instrument of [ ] specified denomination
- (iii) Notice period<sup>3</sup> [ ]
22. **Maturity Redemption Amount of each Instrument** [[ ] per Instrument of [ ] specified denomination /other/see Appendix]
- In cases where the Maturity Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Maturity Redemption Amount: [ ]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]
- (vi) Payment Date: [ ]
- (vii) Minimum Final Redemption Amount: [ ]
- (viii) Maximum Final Redemption Amount: [ ]
23. **Early Redemption Amount (Tax)**
- Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]

<sup>3</sup> If setting notice periods which are different to those provided in the terms and conditions, issuers are 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 its fiscal agent or any trustee.

## GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

24. **Form of Instruments:** Bearer/Registered. [If in bearer form specify:  
[Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]  
[Temporary Global Instrument exchangeable for Definitive Instruments on [●]days' notice]  
[Permanent Global Instrument exchangeable for Definitive Instruments on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]
25. Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
26. Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment]: [Yes/No. *If yes, give details*]
27. Business Day: [*Specify any additional financial centres necessary for the purposes of Condition 10C.03 or any modification required*].
28. Relevant Financial Centre: [*Specify any modification required.*]
29. Relevant Financial Centre Day: [*Specify any additional financial centres necessary for the purposes of Condition 10C.03, or 10A.05 (Bearer Instruments) or 9B.02 (Registered Instruments).*]
30. Details relating to [Instalment] Instruments: amount of each Instrument, date on which each payment is made: [Not Applicable/give details]
31. Temporary Commissioner: [ ]
32. Other final terms: [Not Applicable/*give details*]  
*(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

## DISTRIBUTION

33. (i) If syndicated, names and addresses of Managers and underwriting commitments: *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*



- (ii) Date of [Subscription Agreement] [ ]
- (iii) Stabilising Manager: [ ]
34. If non-syndicated, name and address of Dealer/Manager: [ ]
35. Stabilisation Manager: [ ]
36. Additional Selling Restrictions: [Not Applicable/give details]

#### OPERATIONAL INFORMATION

37. ISIN: [ ]
38. Common Code: [ ]
39. Any Clearing System other than Euroclear and Clearstream, Luxembourg: [ ]
40. Names and addresses of additional Paying Agent(s) (if any): [ ]
41. Settlement Procedures: [Specify whether customary medium term note/eurobond/other settlement and payment procedures apply.]

#### CREDIT LINKED NOTES:

[NB: Consider whether definitions included in Conditions are up to date]

[Applicable/Not Applicable]

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

42. General
- (i) Redemption Amount: [*Express per Specified Denomination*]
- (ii) Trade Date: [ ]
- (iii) Scheduled Termination Date: [The day falling five Business days prior to the Scheduled Maturity Date/*specify other*]
- (iv) Calculation Agent responsible for making calculations and determinations pursuant to Condition 6: [ ]
- (v) Calculation Agent City: [ ]
- Credit Provisions
- (vi) Reference Entity(ies): [ ]
- (vii) Reference Obligation(s): [ ]
- [The obligation[s] identified as follows:
- Primary Obligor: [ ]
- Guarantor: [ ]
- Maturity: [ ]

Coupon: [            ]

CUSIP/ISIN: [[            ]]

[The obligation identified as follows:

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

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

(ix) Credit Events: [Bankruptcy]  
[Failure to Pay]  
[Grace Period Extension (Condition 6(e))  
[Applicable/Not Applicable]  
[If Applicable:  
Grace Period: [            ]]  
[Obligation Acceleration]  
[Obligation Default]  
[Repudiation/Moratorium  
[Maturity Date Extension: Condition 6(f):  
[Applicable/Not Applicable]]  
[Restructuring]

— Provisions relating to Restructuring Credit Event: Condition 6(k) [Applicable/Not Applicable]

— Provisions relating to Multiple Holder Obligation: Condition 6(l) [Applicable/Not Applicable]

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

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

[*other*]

Default Requirement: [            ]

Payment Requirement: [            ]

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

[If Applicable:  
Public Source(s): [            ]]  
(*If other than in the definition in Condition 6(j)*)  
Specified Number: [            ]]  
(*If none specified, then it is deemed to be two*)

- (xi) Obligations:
- Obligation Category  
*[select one only]:* [Payment]  
[Borrowed Money]  
[Reference Obligations Only]  
[Bond]  
[Loan]  
[Bond or Loan]
- Obligation Characteristics:  
*[select all of which apply]:* [Not Subordinated]  
[Specified Currency:  
[specify currency] [Standard Specified Currencies]]  
[Not Sovereign Lender]  
[Not Domestic Current:  
[Domestic Currency means: [specify currency]]  
[Not Domestic Law]  
[Listed]  
[Not Domestic Issuance]
- Additional Obligation(s): [ ]
- (xii) Provisions relating to  
Monoline Insurer to Reference  
Entity: Condition 6(m) [Applicable/Not Applicable]
- (xiii) Excluded Obligation(s): [ ]
- (xiv) Whether redemption of the  
Notes will be by (a) Cash  
Settlement or (b) Physical  
Delivery: [Cash Settlement/Physical Delivery]
- (xv) Accrual of interest upon  
Credit Event: [Applicable/Not Applicable]
- (xvi) Merger Event: Condition 6(i):  
If Applicable: Merger Event  
Redemption Date: [ ]
- [(xvii) Unwind Costs: [Standard Unwind Costs/Not Applicable]
- Terms relating to Cash Settlement*
- (xviii) Credit Event Redemption  
Amount: [*Express per Specified Denomination*]
- (xix) Credit Event Redemption  
Date: [ ] Business Days
- (xx) Valuation Date: [Single Valuation Date:  
[ ] Business Days]  
[Multiple Valuation Dates:  
[ ] Business Days; and each [ ] Business Days  
thereafter.  
Number of Valuation Date: [ ]]

- (xxi) Valuation Time: [ ]
- (xxii) Quotation Method: [Bid/Offer/Mid-market]
- (xxiii) Quotation Amount: [[ ]/Representative Amount]
- [(xxiv) Minimum Quotation Amount: [ ]]
- (xxv) Quotation Dealers: [ ]
- (xxvi) Quotations: [Include Accrued Interest/Exclude Accrued Interest]
- (xxvii) Valuation Method: [Market/Highest]  
[Average Market/Highest/Average Highest]  
[Blended Market/Blended Highest]  
[Average Blended Market/Average Blended Highest]
- (xxviii) Other terms or special conditions: [ ]

*Terms relating to Physical Delivery*

- (xxix) Physical Settlement Period: [ ] Business Days
- (xxx) Asset Amount: [Include Accrued Interest/Exclude Accrued Interest]
- (xxxii) Settlement Currency: [ ]
- (xxxii) Deliverable Obligations:
- Deliverable Obligation Category: [Payment]  
[Borrowed Money]  
[Reference Obligations Only]  
[Bond]  
[Loan]  
[Bond or Loan]
- Deliverable Obligation Characteristics: [select all of which apply]: [Not Subordinated]  
[Specified Currency: [specify currency] [Standard Specified Currencies]  
[Not Sovereign Lender]  
[Not Domestic Currency]  
[Domestic Currency means: [specify currency]]  
[Not Domestic Law]  
[Listed]  
[Not Contingent]  
[Not Domestic Issuance]  
[Assignable Loan]  
[Consent Required Loan]  
[Direct Loan Participant  
[Qualifying Participant Seller: – insert details]  
[Transferable]  
[Maximum Maturity: [ ]]  
[Accelerated or Matured]  
[Not Bearer]

- |   |                             |
|---|-----------------------------|
| Additional Deliverable Obligations:   | [            ]              |
| (xxxiii) Excluded Deliverable Obligations:  | [            ]              |
| (xxxiv) Indicative Quotations:  | [Applicable/Not Applicable] |
| (xxxv) Cut-Off Date:  | [            ]              |
| (xxxvi) Delivery provisions for Asset Amount (including details of who is to make such delivery if different from Terms and Conditions: | [            ]              |
| (xxxvii) Other terms or special conditions:   | [            ]              |

**LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trade the issue of Instruments described herein pursuant to the €25,000,000,000 Programme for the Issuance of Debt Instruments of Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander Central Hispano, S.A.

**RESPONSIBILITY**

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

**CONFIRMED**

**[SANTANDER INTERNATIONAL DEBT, S.A. UNIPERSONAL/SANTANDER ISSUANCES, S.A. UNIPERSONAL]**

By: \_\_\_\_\_  
*Authorised Signatory*

Date \_\_\_\_\_

**BANCO SANTANDER CENTRAL HISPANO, S.A.**

By: \_\_\_\_\_  
*Authorised Signatory*

Date \_\_\_\_\_

## PART B — OTHER INFORMATION

### 1. LISTING

- (i) Listing: [Luxembourg/London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Instruments to be admitted to trading on [ ] with effect from [ ].]  
[Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*

### 2. RATINGS

- Ratings: The Instruments to be issued have been rated:
- [S & P: [ ]]  
[Moody's: [ ]]  
[[Other]: [ ]]
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*
- (The above disclosure should reflect the rating allocated to Instruments of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [NOTIFICATION]

The [*include name of competent authority in home Member State*] [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 [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

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

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

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

[(i) Reasons for the offer [ ]

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

[(ii)] Estimated net proceeds: [●]

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

[(iii)] Estimated total expenses: [●]. *[Include breakdown of expenses.]*

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

6. **[Fixed Rate Instruments only — YIELD**

Indication of yield: [●]

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

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

7. **[Floating Rate Instruments only — HISTORIC INTEREST RATES**

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

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

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Also set out an indication where information about the past and the further performance of the underlying and its volatility can be obtained. if the underlying is a security, the name of the issuer, its ISIN or common code. If an interest rate, a description of that rate and, otherwise, if the underlying is none of the above equivalent information.*

*\* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote 1 above.*



## 9. OTHER TERMS AND CONDITIONS OF THE OFFER

- (i) Other conditions to which the offering is subject (if any): [ ]
- (ii) Time period during which the offer will be open and a description of the application process: [ ]
- (iii) Description, if applicable, of the possibility to reduce subscriptions and the manner for refunding excess amounts paid by applicants: [ ]
- (iv) Details, if any, of minimum and/or maximum amount of application (whether in number of securities or aggregate amounts to invest): [ ]
- (v) Method and time limits for paying up the securities and for delivery: [ ]
- (vi) If applicable, a description of the manner and date in which results of the offer are to be made public: [ ]
- (vii) Procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised: [ ]
- (viii) All regulated markets or equivalent markets on which securities of the same class as the securities offered or admitted to trading are already admitted to trading:

## 10. [Derivatives only]

Information concerning the Securities to be Offered (Annex XII)

- (i) 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.  
[ ]
- (ii) The exercise price or the final reference price of the underlying  
[ ]
- (iii) A statement setting out the type of the underlying and details of where information on the underlying can be obtained:
  - an indication where information about the past and the further performance of the underlying and its volatility can be obtained.
  - where the underlying is a security.

- the name of the issuer of the security.
- where the underlying is an index.
- 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.
- where the underlying is an interest rate.
- a description of the interest rate.
- others:
  - where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.
- where the underlying is a basket of underlyings.
  - disclosure of the relevant weightings of each underlying in the basket.

[            ]

(iv) A description of any market disruption or settlement disruption events that affect the underlying.

[            ]

(v) Adjustment rules with relation to events concerning the underlying.

[            ]

(vi) Name and address of a calculation agent.

[            ]

11. 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.

[            ]

## GUARANTEE BUILDING BLOCK

### 1. NATURE OF THE GUARANTEE

- 1.1 *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).*

*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.*

Banco Santander Central Hispano, S.A. (the “**Guarantor**” or the “**Bank**”) has executed and delivered a Deed of Guarantee (the “**Senior Guarantee**”) dated 17 November 2005 for the benefit of the Holders of Senior Instruments from time to time. The Guarantor shall, on an Issue by Issue basis, on or before the Issue Date of any Subordinated Instruments, for the benefit of Holders of Subordinated Instruments from time to time, execute and deliver a Deed of Guarantee (a “**Subordinated Guarantee**”). See the forms of the Guarantees under “Scope of the Guarantee” below.

### 2. SCOPE OF THE GUARANTEE

- 2.1 *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.*

The forms of Senior Guarantee and Subordinated Guarantee are as follows:

#### FORM OF SENIOR GUARANTEE

**THIS DEED OF SENIOR GUARANTEE** is made on 17 November 2005

BY

**BANCO SANTANDER CENTRAL HISPANO, S.A.** (the “**Guarantor**”)

IN FAVOUR OF the Holders of the Senior Instruments referred to below and the Accountholders (as defined in the Deed of Covenant) in respect of the Senior Instruments (the “**Senior Accountholders**”).

WHEREAS:

- (A) Santander International Debt, S.A. Unipersonal (“**Santander International**” or the “**Issuer**”) and Santander Issuances, S.A. Unipersonal (“**Santander Issuances**” and together with Santander International the “**Issuers**”) have established a programme (the “**Programme**”) for the continuous issuance of debt instruments in an aggregate principal amount outstanding at any one time not exceeding Euro 25,000,000,000 (the “**Instruments**”), in connection with which they have entered into an amended and restated dealership agreement (the “**Dealership Agreement**”) dated 17 November 2005 and made between the Issuers, the Guarantor and the Dealers named therein, and an amended and restated issue and paying agency agreement (the “**Issue and Paying Agency Agreement**”) dated 17 November 2005 and made between, *inter alia*, the Issuers, the Guarantor and JPMorgan Chase Bank, N.A., London Branch in its capacity as issue and paying agent (the “**Issue and Paying Agent**”) and have executed a deed of covenant (the “**Deed of Covenant**”) in respect of English law governed Instruments dated 17 November 2005.

- (B) The Guarantor has agreed to guarantee irrevocably the payment of principal and interest together with all other sums payable by (i) Santander International under the English law governed Instruments issued by Santander International on or after the date of this Deed of Senior Guarantee (the “**Senior Instruments**”) and the Deed of Covenant and (ii) on an issue by issue basis, by Santander Issuances under the English law governed Instruments issued by Santander Issuances (the “**Subordinated Instruments**”) and the Deed of Covenant.

NOW THIS DEED WITNESSES as follows:

**1. INTERPRETATION**

Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the terms and conditions of the Instruments or the Deed of Covenant have the same meanings in this Deed of Senior Guarantee.

**2. GUARANTEE AND INDEMNITY**

2.1 The Guarantor hereby unconditionally and irrevocably guarantees:

- (a) to the Holder of each Senior Instrument the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of such Senior Instrument as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith in the manner and currency prescribed by the relevant Senior Instrument for payments by the Issuer in respect thereof, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Senior Instrument and which the Issuer has failed to pay; and
- (b) to each Senior Accountholder the due and punctual payment of all sums expressed to be payable from time to time by the Issuer to such Senior Accountholder under the Deed of Covenant as and when the same become due and payable and accordingly undertakes to pay to such Senior Accountholder, in the manner and currency prescribed by the Deed of Covenant for payments by the Issuer in respect of the Senior Instruments, any and every sum or sums which the Issuer is at any time liable to pay under the Deed of Covenant in respect of the Senior Instruments and which the Issuer has failed to pay.

2.2 The Guarantor undertakes to the Holder of each Senior Instrument and to each Senior Accountholder that, if any sum referred to in Clause 2.1 is not recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Senior Instrument or Deed of Covenant (or any provision thereof) being or becoming void, unenforceable or otherwise invalid under any applicable law), then, notwithstanding that the same may have been known to such Holder or Accountholder, the Guarantor will, forthwith upon demand by such Holder or Accountholder, pay such sum by way of a full indemnity in the manner and currency prescribed by such Senior Instrument or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Senior Guarantee and shall give rise to a separate and independent cause of action.

**3. PRESERVATION OF RIGHTS**

3.1 The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

3.2 The obligations of the Guarantor hereunder shall be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer’s obligations under or in respect of any Senior Instrument or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Senior Instruments and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

- 3.3 Neither the obligations expressed to be assumed by the Guarantor herein nor the rights, powers and remedies conferred upon the Holders of Instruments and the Accountholders by this Deed of Senior Guarantee or by law shall be discharged, impaired or otherwise affected by:
- (a) the winding up or dissolution of the Issuer or analogous proceedings in any jurisdiction or any change in its status, function, control or ownership;
  - (b) any of the obligations of the Issuer under or in respect of any of the Senior Instruments or the Deed of Covenant being or becoming illegal, invalid or unenforceable;
  - (c) time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under or in respect of any of the Senior Instruments or the Deed of Covenant;
  - (d) any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of any of the Senior Instruments or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or
  - (e) any other act, event or omission which, but for this Clause 3.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders of the Senior Instruments, the Accountholders or any of them by this Deed of Senior Guarantee or by law.
- 3.4 Any settlement or discharge between the Guarantor and the Holders of the Senior Instruments, the Senior Accountholders or any of them shall be conditional upon no payment to the Holders of the Senior Instruments, the Senior Accountholders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders of the Senior Instruments and the Senior Accountholders shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- 3.5 The obligations of the Guarantor are independent of those of the Issuer. The Guarantor shall remain liable as the principal and sole debtor hereunder pursuant to the terms of this Guarantee, and shall not be able to demand that the Holders of the Senior Instruments exhaust any of their rights or take any legal action against the Issuer prior to taking action against the Guarantor.
- 3.6 No Holder of a Senior Instrument or Senior Accountholder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Senior Guarantee or by law:
- (a) to make any demand of the Issuer, other than the presentation of the relevant Senior Instrument;
  - (b) to take any action or obtain judgment in any court against the Issuer; or
  - (c) to make or file any claim or proof in a winding up or dissolution of the Issuer,
- and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Senior Instrument, presentment, demand, protest and notice of dishonour.
- 3.7 The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Senior Instruments or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any right which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:
- (a) to be indemnified by the Issuer;
  - (b) to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Senior Instruments or the Deed of Covenant;
  - (c) to take the benefit (in whole or in part) of any security enjoyed in connection with any of the Senior Instruments or the Deed of Covenant by any Holder of a Senior Instrument or Senior Accountholder; or

- (d) to be subrogated to the rights of any Holder of a Senior Instrument or Senior Accountholder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Senior Guarantee.

4. **STATUS**

The Guarantor undertakes that its obligations hereunder will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor save for those preferred by law.

5. **DELIVERY**

A duly executed original of this Deed of Senior Guarantee shall be delivered promptly after execution to the Issue and Paying Agent and such originals shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Deed of Senior Guarantee and in all Senior Instruments then outstanding from time to time occurs and no further Senior Instruments can be issued under the Programme. A certified copy of this Deed of Senior Guarantee may be obtained by the relevant Commissioner, any Holder of a Senior Instrument or any Senior Accountholder from the Issue and Paying Agent at its specified office at the expense of the relevant Commissioner or such Holder or Accountholder. Any Holder of a Senior Instrument or Senior Accountholder may protect and enforce his rights under this Deed of Senior Guarantee (in the courts specified in Clause 11 below) upon the basis described in the Deed of Covenant (in the case of an Accountholder) and a copy of this Deed of Senior Guarantee certified as being a true copy by a duly authorised officer of the Issue and Paying Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Deed of Senior Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders of Senior Instruments and Senior Accountholders. This Clause shall not limit any right of any Holder of a Senior Instrument or Senior Accountholder to the production of the originals of such records or documents or this Deed of Senior Guarantee in evidence.

6. **CONTRACTUAL CURRENCY**

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

7. **TERMS AND CONDITIONS OF THE INSTRUMENTS**

The Guarantor hereby undertakes to comply with and be bound by those provisions of the terms and conditions of the Instruments which relate to it.

8. **BENEFIT OF DEED OF SENIOR GUARANTEE**

- 8.1 This Deed of Senior Guarantee shall take effect as a deed poll for the benefit of the Holders of the Senior Instruments and the Senior Accountholders from time to time.
- 8.2 The obligations expressed to be assumed by the Guarantor herein shall enure for the benefit of each Holder of a Senior Instrument and Senior Accountholder, and each Holder of a Senior Instrument and Senior Accountholder shall be entitled severally to enforce such obligations against the Guarantor upon the basis described in the Deed of Covenant.
- 8.3 The Guarantor may not assign or transfer all or any of its rights, benefits or obligations hereunder, provided, however, that the foregoing shall not preclude the Guarantor from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation or any other entity permitted by applicable laws without obtaining any approval of such Holders of Senior Instruments.
- 8.4 This Guarantee is solely for the benefit of the Holders of Senior Instruments and is not separately transferable from the Instruments.
- 8.5 Except for those changes (a) which do not adversely affect the rights of Holders of Senior Instruments or (b) which are necessary or desirable to give effect to any one or more transactions referred to in the proviso to Clause 8.3 (in any of which cases no agreements will be required), this Guarantee shall be changed only by agreement in writing signed by the Guarantor with the prior approval of a resolution of each Syndicate of Holders of the Instruments.
- 8.6 Any Senior Instruments issued under the Programme on or after the date of this Deed of Senior Guarantee shall have the benefit of this Deed of Senior Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

9. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

10. **NOTICES**

- 10.1 All communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Banco Santander Central Hispano, S.A.  
Ciudad Grupo Santander  
Edificio Encinar, Planta O  
Avenida de Cantabria, s/n  
28660 Boadilla del Monte  
Madrid  
Spain  
Fax: +34 91 257 1473  
Attention: Emisiones Corporativas

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders of the Senior Instruments in the manner prescribed for the giving of notices in connection with the Senior Instruments.



10.2 Every communication sent in accordance with Clause 10.1 shall be effective upon receipt by the Guarantor *provided that* any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

**11. LAW AND JURISDICTION**

11.1 Save for Clause 4 (Status) which shall be governed by Spanish law, this Deed of Senior Guarantee and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law.

11.2 The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or in connection with this Deed of Senior Guarantee (including a dispute regarding the existence, validity or termination of this Deed of Senior Guarantee) or the consequence of its nullity.

11.3 The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

11.4 Clause 11.2 is for the benefit of the Holders of the Senior Instruments and the Senior Accountholders only. As a result nothing in this Clause 11 prevents the Holders of the Senior Instruments and the Senior Accountholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Holders of the Senior Instruments and the Senior Accountholders may take concurrent Proceedings in any number of jurisdictions.

11.5 The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander Central Hispano, S.A., London Branch at Santander House, 100 Ludgate Hill, London EC4M 7NJ or, if different, any address of the Guarantor in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder of a Senior Instrument or Senior Accountholder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder of a Senior Instrument or Senior Accountholder shall be entitled to appoint such a person by written notice addressed and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder of a Senior Instrument or Senior Accountholder to serve process in any other manner permitted by law. This Clause applies to Proceedings in England and to Proceedings elsewhere.

**IN WITNESS** whereof this Deed of Senior Guarantee has been executed as a deed by a duly authorised attorney on behalf of the Guarantor and is intended to be and is hereby delivered on the date first above written.

**EXECUTED** as a deed

by **BANCO SANTANDER CENTRAL HISPANO, S.A.**

By:

## FORM OF SUBORDINATED GUARANTEE

THIS DEED OF SUBORDINATED GUARANTEE is made on [on or before relevant Issue Date]

BY

- (1) **BANCO SANTANDER CENTRAL HISPANO, S.A.** (the “**Guarantor**”)

### IN FAVOUR OF

- (2) THE HOLDERS for the time being and from time to time of the Subordinated Instruments referred to below (each a “*Holder*” of a Subordinated Instrument); and
- (3) **THE ACCOUNTHOLDERS** (as defined in the Deed of Covenant described below) (together with the Holders, the “**Beneficiaries**”).

### WHEREAS:

(A) Santander International Debt, S.A. Unipersonal (“**Santander International**”) and Santander Issuances, S.A. Unipersonal (“**Santander Issuances**”) (each, an “**Issuer**” and together, the “**Issuers**”) have established a programme (the “**Programme**”) for the continuous issuance of debt instruments in an aggregate principal amount outstanding at any one time not exceeding Euro 25,000,000,000 (the “**Instruments**”), in connection with which they have entered into an amended and restated dealership agreement (the “**Dealership Agreement**”) dated 17 November 2005 and made between the Issuers, the Guarantor and the Dealers named therein, and an amended and restated issue and paying agency agreement (the “**Issue and Paying Agency Agreement**”) dated 17 November 2005 and made between, inter alia, the Issuers and JPMorgan Chase Bank, N.A., London Branch, in its capacity as issue and paying agent (the “**Issue and Paying Agent**”) and have executed a deed of covenant (the “**Deed of Covenant**”) in respect of English law governed Instruments dated 17 November 2005.

(B) The Guarantor has agreed to guarantee irrevocably the payment of principal and interest together with all other sums payable by (i) Santander Issuances under the [●] Subordinated Instruments due [●] issued by Santander Issuances (the “**Subordinated Instruments**”) and, on an issue by issue basis any other subordinated instruments issued by Santander Issuances under the Programme, and the Deed of Covenant and (ii) by Santander International under the English law governed Instruments issued by Santander International on or after the date of the Deed of Senior Guarantee executed by the Guarantor on 17 November 2005 (the “**Senior Instruments**”) and the Deed of Covenant.

### NOW THIS DEED OF SUBORDINATED GUARANTEE WITNESSES as follows:

#### 1. Interpretation

##### 1.1 Definitions:

In this Deed of Subordinated Guarantee the following expressions have the following meanings:

“**Conditions**” means the terms and conditions of the Subordinated Instruments, and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof;

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

##### 1.2 Other defined terms

Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the Conditions or the Deed of Covenant have the same meanings in this Deed of Subordinated Guarantee.

1.3 **Clauses**

Any reference in this Deed of Subordinated Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.4 **Headings**

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Subordinated Guarantee.

2. **Subordinated Guarantee and Indemnity**

2.1 **Subordinated Guarantee**

The Guarantor hereby unconditionally and irrevocably guarantees:

2.1.1 to the Holder of each Subordinated Instrument the due and punctual payment of all sums from time to time payable by the Issuer in respect of such Subordinated Instrument as and when the same become due and payable and accordingly undertakes to pay to such Holder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Subordinated Instruments, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Subordinated Instrument and which the Issuer has failed to pay, subject to the provisions of Clause 4.7; and

2.1.2 to each Accountholder the due and punctual payment of all sums from time to time payable by the Issuer to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Accountholder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Subordinated Instruments, any and every sum or sums which the Issuer is at any time liable to pay to such Accountholder in respect of the Subordinated Instruments and which the Issuer has failed to pay, subject to the provisions of Clause 4.7.

2.2 **Indemnity**

The Guarantor irrevocably and unconditionally agrees as a primary obligation to indemnify each Beneficiary from time to time from and against any loss incurred by such Beneficiary as a result of any of the obligations of the Issuer under or pursuant to any Subordinated Instrument, the Deed of Covenant or any provision thereof being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to such Beneficiary or any other person, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Issuer. Any amount payable pursuant to this indemnity shall be payable in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Subordinated Instruments, but subject always to the provisions of Clause 4.7. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Subordinated Guarantee and shall give rise to a separate and independent cause of action.

3. **Compliance with Conditions**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.

4. **Preservation of Rights**

4.1 **Principal obligor**

The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

#### 4.2 *Continuing obligations*

The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Subordinated Instrument or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Subordinated Instruments and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

#### 4.3 *Obligations not discharged*

Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries by this Deed of Subordinated Guarantee or by law shall be discharged, impaired or otherwise affected by:

- 4.3.1 the winding up, dissolution, administration or re-organisation of the Issuer or any change in its status, function, control or ownership;
- 4.3.2 any of the obligations of the Issuer under or in respect of the Subordinated Instruments or the Deed of Covenant being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- 4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of any of its obligations under or in respect of the Subordinated Instruments or the Deed of Covenant;
- 4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of the Subordinated Instruments or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or
- 4.3.5 any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Subordinated Guarantee or by law.

#### 4.4 *Settlement conditional*

Any settlement or discharge between the Guarantor and the Beneficiaries or any of them shall be conditional upon no payment to the Beneficiaries or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

#### 4.5 *Exercise of Rights*

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Subordinated Guarantee or by law:

- 4.5.1 to make any demand of the Issuer, save for the presentation of the relevant Subordinated Instrument;
- 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
- 4.5.3 to make or file any claim or proof in a winding up or dissolution of the Issuer, and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonour in respect of each Subordinated Instrument.

#### 4.6 *Deferral of Guarantor's Rights*

The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Subordinated Instruments or under the Deed of Covenant or the Issuer is under any other actual or

contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any rights which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

- 4.6.1 to be indemnified by the Issuer;
- 4.6.2 to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Subordinated Instruments or the Deed of Covenant; or
- 4.6.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of any Beneficiary against the Issuer in respect of amounts paid by the Guarantor under this Deed of Subordinated Guarantee or any security enjoyed in connection with the Subordinated Instruments or the Deed of Covenant by any Beneficiary.

#### 4.7 ***Status and Covenants***

- 4.7.1 This Deed of Subordinated Guarantee constitutes direct, unconditional subordinated and unsecured obligations of the Guarantor.
- 4.7.2 The Guarantor undertakes that its obligations hereunder will at all times rank (in relation to the Subordinated Instruments) as described in Condition 3.03.

#### 5. **Deposit of Deed of Subordinated Guarantee**

This Deed of Subordinated Guarantee shall be deposited with and held by the Issue and Paying Agent until after all the obligations of the Issuer under or in respect of the Subordinated Instruments and the Deed of Covenant have been discharged in full. The Guarantor hereby acknowledges the right of every Beneficiary and the relevant Commissioner to the production of this Deed of Subordinated Guarantee.

#### 6. **Contractual Currency**

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

#### 7. **Stamp Duties**

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution

and delivery of this Deed of Subordinated Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

8. **Benefit of Deed of Subordinated Guarantee**

8.1 ***Deed poll***

This Deed of Subordinated Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

8.2 ***Benefit***

This Deed of Subordinated Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Subordinated Guarantee against the Guarantor upon the basis described in the Deed of Covenant.

8.3 ***Assignment***

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder, however the Subordinated Guarantee is not separately transferable from the Subordinated Instruments.

9. **Partial Invalidity**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

10. **Notices**

10.1 ***Address for notices***

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Ciudad Grupo Santander  
Edificio Encinar, planta O  
Avenida de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

Fax: +34 91 257 1473

Attention: Emisiones Corporativas

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders in the manner prescribed for the giving of notices in connection with the Subordinated Instruments.

10.2 ***Effectiveness***

Every notice or other communication sent in accordance with Clause 10.1 shall be effective upon receipt by the Guarantor provided that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

11. **Law and Jurisdiction**

11.1 *Governing law*

This Deed of Subordinated Guarantee and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law save for Clauses 4.7 and 4.8 which shall be governed by, and construed in accordance with, Spanish law.

11.2 *English courts*

The courts of England have jurisdiction to settle any dispute (a “**Dispute**”) arising from or in connection with this Deed of Subordinated Guarantee.

11.3 *Appropriate forum*

The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

11.4 *Rights of the Beneficiaries to take proceedings outside England*

Clause 11.2 is for the benefit of the Beneficiaries only. As a result, nothing in this Clause 11 prevents any Beneficiary from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Beneficiaries may take concurrent Proceedings in any number of jurisdictions.

11.5 *Service of process*

The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to it at Banco Santander Central Hispano, S.A. London Branch at Santander House, 100 Ludgate Hill, London EC4M 7NJ or at any other address of the Guarantor in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. Nothing in this paragraph shall affect the right of any Beneficiary to serve process in any other manner permitted by law.

12. **Modification**

Any modification of any provision of this Deed of Subordinated Guarantee may be made by supplemental deed poll if sanctioned by a resolution of the Syndicate of Holders of the Instruments.

IN WITNESS whereof this Deed of Subordinated Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

EXECUTED as a deed  
by **BANCO SANTANDER  
CENTRAL HISPANO, S.A.**  
acting by {



**REGISTERED OFFICES OF THE ISSUERS**

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