

SUPPLEMENT DATED 21 SEPTEMBER 2010 TO THE BASE PROSPECTUS DATED 27 AUGUST 2010

NOMURA

NOMURA BANK INTERNATIONAL PLC

NOTE, WARRANT AND CERTIFICATE PROGRAMME

This Supplement (the **Supplement**) to the Base Prospectus (the **Base Prospectus**) dated 27 August 2010 which comprises a base prospectus constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the **FSMA**) and is prepared in connection with the Note, Warrant and Certificate Programme (the **Programme**) established by Nomura Bank International plc (the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer. The purpose of this Supplement is to provide additional disclosure on taxation (see section below, entitled "Taxation") and selling restrictions (see section below, entitled "Offering and Sale") in relation to the Securities which may be issued from time to time pursuant to the Programme.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

AMENDMENTS TO THE BASE PROSPECTUS

1. TAXATION

As of the date of this Supplement, the section entitled "Taxation" in the Base Prospectus will be amended as follows:

- (a) by the insertion of the following sub-section on page 518 of the Base Prospectus immediately before the sub-section entitled "**UNITED KINGDOM TAXATION**":

"EU SAVINGS DIRECTIVE

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

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

- (b) by the deletion of the sub-section entitled "**Securities: EU Savings Directive**" which is found on page 519 of the Base Prospectus within the sub-section entitled "**UNITED KINGDOM TAXATION**"
- (c) by the insertion of the following sub-sections immediately after the sub-section entitled "**ITALIAN TAXATION**" on page 524 of the Base Prospectus:

"AUSTRIAN TAXATION

This section on Austrian taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in Austria in connection with the purchase, holding or sale of the Securities. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for individual prospective holders. It is based on the currently valid Austrian tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that prospective holders of the Securities consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Securities. Tax risks resulting from the Securities (in particular from a possible qualification as a foreign investment fund pursuant to sec. 42(1) of the Austrian Investment Funds Act (*Investmentfondsgesetz*)) shall be borne by the holder. In general, it has to be noted that the Austrian tax authorities have a critical attitude towards structured products which may also give rise to tax benefits.

General

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in the case of unlimited and limited (corporate) income tax liability, Austria's right to tax may be restricted by double taxation treaties.

Income tax regarding the Securities (except Warrants)

General

In general, the Securities should qualify as bonds (*Forderungswertpapiere*) in the sense of sec. 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*).

Individuals subject to unlimited income tax liability in Austria holding bonds in the sense of sec. 93(3) of the Austrian Income Tax Act as a non-business asset (*Privatvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 27(1)(4) and sec. 27(2)(2) of the Austrian Income Tax Act. Such interest payments are subject to a withholding tax (*Kapitalertragsteuer*) of 25 per cent. in cases where they are paid out by an Austrian paying agent (*kuponauszahlende Stelle*). This withholding tax has the effect of final taxation (*Endbesteuerung*) in the case of a public placement of the bonds (i.e. no additional income tax is levied over and above the amount of tax withheld). Even if interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in the case of a public placement of bonds. Since in this case no withholding tax is levied, interest payments must be included in the income tax return of the holder. If bonds are not legally and factually offered to an indefinite number of persons (i.e. there is no public placement of the relevant bonds), then the interest payments must be included in the holder's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Individuals subject to unlimited income tax liability in Austria holding bonds as a business asset (*Betriebsvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price). Such interest payments are subject to a withholding tax of 25 per cent. in cases where they are paid out by an Austrian paying agent, this withholding tax having the effect of final taxation (i.e. no additional income tax is levied over and above the amount of tax withheld) in case of a public placement of the bonds. Even if interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in the case of a public placement of the bonds. Again, such income has to be included in the holder's income tax return. If bonds are not legally and factually offered to an indefinite number of persons (i.e. there is no public placement of the relevant bonds) then the interest payments must be included in the holder's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on all interest payments resulting from the relevant bonds (which term also encompasses the difference between the redemption price and the issue price) at a rate of 25 per cent. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied.

Private foundations (*Privatstiftung*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(1) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding bonds as a non-business asset are subject to corporate income tax (interim taxation; *Zwischenbesteuerung*) on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 13(3)(1) of the Austrian Corporate Income Tax Act at a rate of 12.5 per cent. in the case of a public placement of bonds. If the relevant bonds are not legally and factually offered to an indefinite number of persons (i.e. there is no public placement of those bonds) then the interest payments are subject to corporate income tax at a rate of 25 per cent.. Under the conditions set forth in sec. 94(11) of the Austrian Income Tax Act no withholding tax is levied.

Individuals subject to limited income tax liability in Austria holding bonds in the meaning of sec. 93(3) of the Austrian Income Tax Act are subject to income tax at a rate of 25 per cent. on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) in Austria if, broadly speaking, the relevant bonds are attributable to an Austrian permanent establishment (*Betriebsstätte*) of the holder. The same applies with respect to corporations subject to limited corporate income tax liability in Austria, the tax rate also being 25 per cent.. If interest received by non-resident individuals and corporations is not subject to (corporate) income tax but if at the same time it is subject to

withholding by virtue of an Austrian paying agent, the withholding tax will be refunded upon the holder's application. The Austrian Ministry of Finance also provides for the possibility for the non-resident holder to furnish proof of non-residency, in which case the Austrian paying agent may refrain from withholding in the first place.

Additional remarks regarding turbo certificates

The Austrian Ministry of Finance has commented upon the tax treatment of so-called turbo certificates in the Income Tax Regulations (*Einkommensteuerrichtlinien*). These are certificates, which allow for a disproportionately high participation in the development in value of an underlying. The leverage is realised through the fact that in the case of a turbo certificate the capital invested is lower than the fair market value of the underlying (e.g. half of the quotation of a share). Pursuant to the Austrian Federal Ministry of Finance, a distinction has to be made whether the amount paid by the holder for the instrument exceeds 20 per cent. of the fair market value of the respective underlying at the beginning of the certificate's term, or not. If this is the case then the instrument gives rise to income from investments (*Einkünfte aus Kapitalvermögen*), in which case the comments made above apply *mutatis mutandis*. Otherwise (i.e. if the amount paid by the holder for the instrument amounts to 20 per cent. or less of the fair market value of the respective underlying at the beginning of the certificate's term), an entirely different tax regime would apply.

Additional remarks regarding foreign investment funds

Pursuant to sec. 42(1) of the Austrian Investment Funds Act, a foreign investment fund (*ausländischer Investmentfonds*) is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organised in, are invested according to the principle of risk-spreading on the basis either of a statute, of the entity's articles or of customary exercise. This term, however, does not encompass collective real estate investment vehicles pursuant to sec. 14 of the Austrian Capital Markets Act (*Kapitalmarktgesetz*). It should be noted that the Austrian tax authorities have commented upon the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand in the Investment Fund Regulations (*Investmentfondsrichtlinien*). Pursuant to these, no foreign investment fund may be assumed if for the purposes of the issuance no predominant actual purchase of the underlying assets by the issuer or a trustee of the issuer, if any, is made and no actively managed assets exist. If the index relates to a hedge fund then the index must fulfil, apart from the prerequisites just mentioned, additional criteria in order to qualify as a foreign investment fund. Directly held bonds shall, however, not be considered as foreign investment funds if the performance of the bonds depends on an index, regardless whether the index is a well-known one, an individually constructed "fixed" index or an index which is changeable at any time. Holders should be aware that in case the tax authorities qualify the Securities as units in a foreign investment fund (rather than as bonds within the meaning of sec. 93(3) of the Austrian Income Tax Act) an entirely different tax regime would apply.

EU withholding tax

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*), which transforms into national law the provisions of the Directive, provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State is subject to a withholding tax if no exception from such withholding applies. Currently, the withholding tax amounts to 20 per cent. As of 1 July 2011, it will be increased to 35 per cent. Regarding the issue of whether index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. Furthermore, a distinction is made in relation to the underlying assets. Depending on the exact circumstances, index certificates may thus be subject to EU withholding tax.

Income tax regarding the Warrants

General

Individuals subject to unlimited income tax liability in Austria holding warrants pursuant to which they are entitled (but not obliged) to buy or sell a specified underlying at a specific price or to receive or pay a difference amount relating to the value of such underlying at a predetermined date (*Optionsscheine*) as a non-business asset are subject to income tax at a marginal rate of up to 50 per cent. on any income resulting from the sale or exercise of the warrants within one year from acquisition (so called income from speculative transactions; *Einkünfte aus Spekulationsgeschäften*). Negative income from speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440 at most in a calendar year remains tax-free.

Individuals subject to unlimited income tax liability in Austria holding warrants as a business asset are subject to income tax at a marginal rate of up to 50 per cent. on any income resulting from the sale or exercise of the warrants regardless of the time lapsed between acquisition and sale or exercise of the warrants. Losses from the sale or exercise of the warrants can in general be offset against any other income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax of 25 per cent. on any income resulting from the sale or exercise of the warrants regardless of the time lapsed between acquisition and sale or exercise of the warrants. Losses from the sale or exercise of the warrants can, in general, be offset against any other income.

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(1) of the Austrian Corporate Income Tax Act and holding warrants as a non-business asset are subject to corporate income tax of 25 per cent. on any income resulting from the sale or exercise of the warrants within one year from acquisition. Negative income from such speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440 at most in a calendar year remains tax-free.

Individuals subject to limited income tax liability in Austria holding warrants are only subject to income tax on income resulting from the sale or exercise of the warrants if, broadly speaking, the warrants are attributable to an Austrian permanent establishment, in which case a marginal rate of up to 50 per cent. applies. The same is true with respect to corporations subject to limited corporate income tax liability in Austria, however, with a tax rate of 25 per cent..

Additional remarks regarding foreign investment funds

Reference is made to the comments above.

EU withholding tax

Reference is made to the comments above. However, pursuant to guidelines published by the Austrian Federal Ministry of Finance, income from warrants does not qualify as interest in the sense of the Austrian EU Withholding Tax Act.

Austrian inheritance and gift tax

Pursuant to the Gift Notification Act 2008 (*Schenkungsmitteilungsgesetz 2008*), the Austrian inheritance tax as well as the Austrian gift tax expired as of 1 August 2008. This means that, *inter alia*, transfers of assets both *inter vivos* (e.g. as a gift) and *mortis causa* (e.g. as an inheritance) after 31 July 2008 are neither subject to inheritance tax nor to gift tax (in the case of transfers to certain foundations, a foundation tax

(*Stiftungseingangssteuer*) of either 2.5 per cent. or 25 per cent. will, however, fall due). Instead of the inheritance and gift tax a notification obligation has been introduced for certain gifts *inter vivos*.

BELGIAN TAXATION

N&C Securities

The following description is only a summary of current Belgian tax law which is liable to change over time. The summary does not purport to constitute a comprehensive description of all tax considerations which may be relevant to any particular holder of the N&C Securities, including tax considerations that arise from rules of general application or that are generally assumed to be known to holders of the N&C Securities. In particular, it does not cover the situation of non-residents nor the tax treatment of securities which may be received upon repurchase or redemption of the N&C Securities. This summary is not intended to constitute, nor should it be construed as, legal or tax advice. Prospective holders of the N&C Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than Belgium should seek their own professional advice.

For the purpose of the Belgian tax consequences described herein, it is assumed that the N&C Securities will qualify as claim rights for Belgian tax law purposes.

Any payment of interest (as defined by Belgian tax law) on the N&C Securities made through a paying agent in Belgium will in principle be subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 15 per cent..

A gain arising on the repurchase or redemption of the N&C Securities by the Issuer is taxable as interest. If the repurchase or redemption by the Issuer is in full or in part settled by means of a delivery of securities or other assets, interest includes any positive difference between the market value of those assets on the date of their payment or attribution and the initial issue price of the N&C Securities. In the event interest is paid in the form of delivery of securities, the market value of those securities will be deemed at least equal to their value (prior to the date of the payment or attribution) as determined in the most recent publication by the Belgian Government of the value of securities listed on a Belgian stock exchange (such publication is issued monthly, on the 20th of each month) or on a similar foreign stock exchange.

In addition, if the N&C Securities qualify as fixed income securities within the meaning of article 2, §1, 8° Belgian Income Tax Code (ITC), in case of a realisation of the N&C Securities between two interest payment dates, an income equal to the pro rata of accrued interest corresponding to the detention period is taxable as interest.

For the purposes of the following paragraphs, such gains and pro rata of accrued interest are therefore referred to as interest.

Withholding tax

Belgian resident individuals

For Belgian resident individuals (i.e. residents of Belgium who are subject to Belgian personal income tax) who hold the N&C Securities as a private investment, all interest payments will be subject to a 15 per cent. Belgian withholding tax if the payment is made through a financial institution or other intermediary established in Belgium. In that case, the investors need not report the interest income in their annual tax return.

Belgian resident companies

Interest paid to Belgian resident companies (i.e. residents of Belgium who are subject to Belgian corporate income tax), and to Belgian branches of foreign companies, through a financial intermediary established in Belgium will generally be subject to Belgian withholding tax. However, an exemption may apply provided that the investor delivers to its financial intermediary an appropriate certificate. For zero or capitalization bonds, the above exemption will not apply, unless the Belgian resident company and the Issuer are affiliate companies within the meaning of article 105, 6° RD/ITC. The current applicable withholding tax rate is 15 per cent..

Belgian non-profit legal entities

For Belgian resident non-profit legal entities (i.e. residents of Belgium who are subject to the Belgian legal entities' tax *impôt des personnes morales / rechtspersonenbelasting*), all interest payments will be subject to a 15 per cent. Belgian withholding tax if the payment is made through a financial institution or other intermediary established in Belgium. If the payment is not made through a Belgian intermediary and withholding tax is not applied, the withholding tax must be declared and paid by the non-profit legal entity itself.

Income tax

Belgian resident individuals

For Belgian resident individuals who hold the N&C Securities as a private investment, if withholding tax is levied in Belgium on the interest it will constitute the final tax burden in respect of such income. In that case the investors need not report the interest income in their annual tax return.

If the payment is not made through a financial intermediary established in Belgium and withholding tax is not applied, the investors must report the interest income in their annual tax return and pay tax thereon at the rate of 15 per cent. plus additional local taxes (note that the fact that additional local taxes are due in this case has been held by the European Court of Justice to violate EU law).

Belgian resident individuals are not liable to income tax on capital gains realised upon disposal of the N&C Securities (other than the accrued interest portion, if any), provided that the N&C Securities have not been used for their professional activity and that the capital gain is realised within the framework of the normal management of their private estate. Capital losses realised upon disposal of the N&C Securities held as a non-professional investment are in principle not tax deductible.

Belgian resident companies

Belgian resident companies, and Belgian branches of foreign companies, are liable to corporate income tax on the interest under the N&C Securities and the capital gains realised upon disposal of the N&C Securities. The current standard corporate income tax rate in Belgium is 33.99 per cent. Belgian withholding tax can in principle be set off against the corporate income tax liability provided certain conditions are fulfilled.

Capital losses realised upon disposal of the N&C Securities are in principle tax deductible.

Belgian resident non-profit legal entities

For Belgian resident non-profit legal entities, the 15 per cent. withholding tax levied on the interest will constitute the final tax burden in respect of such income.

Belgian non-profit legal entities are not liable to income tax on capital gains realised upon disposal of the N&C Securities (other than the accrued interest portion, if any).

Capital losses realised upon disposal of the N&C Securities are in principle not tax deductible.

Tax on stock exchange transactions

The issuance of the N&C Securities (primary market) is not subject to the tax on stock exchange transactions.

The sale of the N&C Securities (secondary market) executed in Belgium through a financial intermediary will trigger the tax on stock exchange transactions. The same will apply for any transfer and acquisition of existing securities upon repurchase or redemption of the N&C Securities. The tax is due at a rate of 0.07 per cent. for bonds and 0.17 per cent. for other securities (on each sale and acquisition separately) with a maximum of €500 per party and per transaction (except for capitalisation shares of investment companies, for which a different rate and cap apply). An exemption is available for non-residents and certain Belgian institutional investors acting for their own account, subject to certain formalities.

W&C Securities

The following description is only a summary of current Belgian tax law which is liable to change over time. The summary does not purport to constitute a comprehensive description of all tax considerations which may be relevant to any particular holder of the W&C Securities, including tax considerations that arise from rules of general application or that are generally assumed to be known to holders of the W&C Securities. In particular, it does not cover the situation of non-residents nor the tax treatment of securities which may be acquired upon exercise of the W&C Securities. This summary is not intended to constitute, nor should it be construed as, legal or tax advice. Prospective holders of the W&C Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than Belgium should seek their own professional advice.

The Belgian tax authorities have not issued any guidance in relation to the Belgian tax treatment of investment products such as the W&C Securities. The description of the tax regime below is based on the analysis according to which the W&C Securities should be classified as securities which do not constitute claim rights for Belgian tax purposes.

Withholding tax

Belgian withholding tax will not apply to W&C Securities.

Income tax

Belgian resident individuals

Belgian resident individuals (i.e. residents of Belgium who are subject to Belgian personal income tax) are not liable to income tax on the capital gains (if any) realised upon disposal or exercise of the W&C Securities, provided that the W&C Securities have not been used for their professional activity and that the capital gain is realised within the framework of the normal management of their private estate.

Capital losses realised upon disposal or exercise of the W&C Securities held as a non-professional investment are in principle not tax deductible.

Belgian resident companies

Belgian resident companies (i.e. residents of Belgium who are subject to Belgian corporate income tax), are liable to corporate income tax on the capital gains (if any) realised upon disposal or exercise of the W&C Securities. The current standard corporate income tax rate in Belgium is 33.99 per cent..

Capital losses realised upon disposal or exercise of the W&C Securities are in principle tax deductible.

Belgian non-profit legal entities

Belgian non-profit legal entities are not liable to income tax on capital gains (if any) realised upon disposal or exercise of the W&C Securities.

Capital losses realised upon disposal or exercise of the W&C Securities are in principle not tax deductible.

Tax on stock exchange transactions

The issuance of the W&C Securities (primary market) is not subject to the tax on stock exchange transactions.

The sale of the W&C Securities (secondary market) executed in Belgium through a financial intermediary will trigger the tax on stock exchange transactions. The same will apply for any transfer and acquisition of existing securities upon exercise of the W&C Securities. The tax is due at a rate of 0.17 per cent. (on each sale and acquisition separately) with a maximum of €500 per party and per transaction (except for capitalisation shares of investment companies, for which a different rate and cap apply). An exemption is available for non-residents and certain Belgian institutional investors acting for their own account, subject to certain formalities.

FRENCH TAXATION

The following is a summary addressing only the French compulsory withholding tax treatment of income arising from the Securities. This summary is (i) based on the laws and regulations in full force and effect in France as at the date of this Base Prospectus, which may be subject to change in the future, potentially with retroactive effect, and (ii) prepared on the assumption that the Issuer is not a French resident for French tax purposes and is not acting from a French branch, permanent establishment or other fixed place of business in France in connection with the Securities. Investors should be aware that the comments below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisors so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Securities.

All payments by the Issuer in respect of the Securities will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein.

The Directive has been implemented into French law under article 242 ter of the French tax code (*Code général des impôts*), which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners resident in another Member State, including, the identity and address of the beneficial owner and a detailed list of different categories of interest paid to the beneficial owner.

GERMAN TAXATION

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Securities. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Securities, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or Tranche of Securities may be subject to a different tax treatment due to the specific terms of such Series or Tranche of Securities as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment.

Prospective purchasers of Securities are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of Securities, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Tax Residents

The section “*Tax Residents*” refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by an individual holder of the Securities will be subject to German withholding tax if the Securities are kept in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a **Disbursing Agent**, *auszahlende Stelle*). The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). If the individual holder is subject to church tax, upon application a church tax surcharge will also be withheld.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual holder provided the Securities have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. Where Securities are issued in a currency other than Euro any currency gains or losses are part of the capital gains. If interest coupons or interest claims are disposed of separately (i.e. without the Securities), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or interest claims if the Securities have been disposed of separately.

In case of a physical settlement of certain Securities which grant the Issuer or the holder the right to opt for a physical delivery of a predetermined number of underlying securities instead of a (re)payment of the nominal amount, the acquisition costs of the Securities may be regarded as proceeds from the disposal, redemption, repayment or assignment of the Securities and hence as acquisition costs of the underlying securities received by the individual holder upon physical settlement. To the extent the provision mentioned above is applicable, generally no withholding tax has to be withheld by the Disbursing Agent upon physical settlement as such exchange of the Securities into the underlying securities does not result in a taxable gain for the individual holder. However, withholding tax may then apply to any gain resulting from the disposal, redemption, repayment or assignment of the securities received in exchange for the Securities. In this case, the gain will be the difference between the proceeds from the disposal, redemption, repayment or assignment of the underlying securities and the acquisition costs of the Securities (after deduction of expenses related directly to the disposal, if any).

To the extent the Securities have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition or if the Securities have been transferred into the custodial account of the Disbursing Agent only after their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375 per cent. (including solidarity surcharge) on 30 per cent. of the disposal proceeds (plus interest accrued on the Securities (**Accrued Interest**, *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Securities by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic

Area or certain other countries in accordance with art. 17 para. 2 of the EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**) (e.g. Switzerland or Andorra).

In computing any German tax to be withheld, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual holder of the Securities via the Disbursing Agent (e.g. losses from sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Securities or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Individual holders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples filing jointly) for all investment income received in a given year. Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the holder of the Securities has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Securities held by a corporation as holder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Securities form part of a trade or business or are related to income from letting and leasing of property, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of an individual holder deriving income from capital investments under the Securities is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Securities kept in custody abroad or if no Disbursing Agent is involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), the individual holder must report his or her income and capital gains derived from the Securities on his or her tax return and then will also be taxed at a rate of 25 per cent. on the investment income (plus solidarity surcharge and church tax thereon, where applicable). Further, an individual holder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Losses incurred with respect to the Securities can only be off-set with investment income of the individual holder realised in the same or the following years. Any losses realised upon the disposal of shares in stock corporations received in exchange for the Securities can only be offset against capital gains deriving from the disposal of shares.

Where Securities form part of a trade or business or the income from the Securities qualifies as income from the letting and leasing of property, the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Securities form part of a trade or business, interest (accrued) must be taken into account as income. Where Securities qualify as zero bonds and form part of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account. The respective holder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the holder. Where Securities form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Securities may also be subject to German trade tax.

German Investment Tax Act

German tax consequences different from those discussed above would arise if the respective Securities or the underlying securities delivered upon physical delivery were to be regarded as investment fund units within the meaning of the German Investment Tax Act. In such case, the withholding tax requirements for the Disbursing Agent as well as the taxation of the holder would depend on whether the disclosure and reporting requirements of the German Investment Tax Act were fulfilled. The holder of the Securities may be subject to tax on unrealised income or, in case the reporting and disclosure requirements are not fulfilled, on income deemed received on a lump-sum basis (so-called penalty taxation). Such income may be offset against any capital gains realised upon disposal of the Securities, or the underlying securities received, respectively, subject to certain requirements.

Non-residents

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Securities form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "*Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Securities are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where Securities are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Security or an interest coupon are paid by a Disbursing Agent to a non-resident, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Securities will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Security is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Securities. Currently, net assets tax is not levied in Germany.

EU Savings Directive

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the Directive into German law. These provisions apply from 1 July 2005.

LUXEMBOURG TAXATION

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective holders of Securities should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

Non-resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Securities, nor on accrued but unpaid interest in respect of the Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Securities held by non-resident holders of Securities.

Under the Laws implementing the Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 20 per cent. and will be levied at a rate of 35 per cent. as of 1 July 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Securities coming within the scope of the Laws would at present be subject to withholding tax of 20 per cent..

Resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Securities, nor on accrued but unpaid interest in respect of Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Securities held by Luxembourg resident holders of Securities.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent.. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Securities coming within the scope of the Law would be subject to withholding tax of 10 per cent..

PORTUGUESE TAXATION

The following is a summary of the current Portuguese tax treatment at the date hereof in relation to certain aspects of the Portuguese taxation of payments in respect of the Securities. The statements do not deal with other Portuguese tax aspects regarding the Securities and relate only to the position of persons who are absolute beneficial owners of the Securities. The following is a general guide, does not constitute tax or legal advice and should be treated with appropriate caution. Securities holders who are in any doubt as to their tax position should consult their own professional advisers.

Warrants and Certificates holders income tax

As a rule, the income arising either from the Warrants and Certificates are qualified as capital gains for Portuguese tax purposes. However, regarding the Securities that qualify as Certificates the positive

difference, if any, between a minimum guaranteed amount and the subscription price of the Certificates is qualified as investment income subject to Income Tax in Portugal.

Personal Income Tax (PIT)

Investment income

The positive difference, if any, between the minimum guaranteed amount and the subscription price of the Certificates is qualified as investment income subject to PIT in Portugal.

As regards to investment income on the Certificates made to Portuguese tax resident individuals, they are subject to PIT which shall be withheld at the current final withholding rate of 21.5 per cent. if there is a Portuguese resident paying agent or a Portuguese branch of a non-resident entity as from the moment the corresponding amounts are made available to the individual resident in Portugal for tax purposes, unless the individuals elects to include the income in their taxable income, subject to tax at the current progressive rates of up to 45.88 per cent. (which rate is already foreseen to increase to 46.5 per cent. after 31 December 2010). In this case, the tax withheld is deemed to be a payment on account of the final tax due.

Capital gains

The annual positive balance arising from the difference between capital gains and capital losses resulting from transactions in connection with the Warrants or Certificates will be currently taxed at the special tax rate of 20 per cent., unless the individuals resident in Portugal elect to include the income in their taxable income, subject to tax at progressive rates of up to 45.88 per cent. (which rate is already foreseen to increase to 46.5 per cent after 31 December 2010).

There is no Portuguese withholding tax on capital gains.

Corporate Income Tax (CIT)

Investment income and capital gains

Investment income arising from Certificates, if any, and capital gains obtained by Portuguese corporate resident entities regarding Warrants and/or Certificates will be included in their taxable income and are subject to progressive CIT rates according to which a 12.5 per cent. tax rate will be applicable on the first €12,500 of taxable income and a 25 per cent. tax rate will be applicable on taxable income exceeding €12,500, which may be subject to a municipal surcharge (*derrama*) of up to 1.5 per cent., over the Warrants and/or Certificates holders' taxable profits. Corporate taxpayers with a taxable income of more than € 2,000,000 are also subject to State surcharge (*derrama estadual*) of 2.5 per cent. on the part of its taxable income that exceeds € 2,000,000.

There is no Portuguese withholding tax (i) on capital gains and (ii) on investment income arising from the Certificates, if any, even if there is a Portuguese paying agent that made available such income to the corporate entities resident in Portugal for tax purposes.

Notes

PIT

Investment income

Economic benefits derived from interest, amortisation, reimbursement premiums and other instances of remuneration arising from the Notes are designated as investment income for Portuguese tax purposes. Interest and other investment income obtained by Portuguese resident individuals on Notes issued by the

Issuer is subject to individual income tax. If the payment of interest or other types of investment income is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non resident entity, withholding tax applies at a rate of 21.5 per cent., which is the final tax on that income unless the individual elects for aggregation to his taxable income, subject to tax at progressive rates of up to 45.88 per cent. (which rate is already foreseen to increase to 46.5 per cent. after 31 December 2010). In this case, the tax withheld is deemed a payment on account of the final tax due. If the interest and other investment income on the Notes is not received through an entity located in Portugal, it is not subject to Portuguese withholding tax, but an autonomous taxation rate of 20 per cent. will apply, unless an option for aggregation is made, subject to the above referred progressive tax rates.

Capital gains

Capital gains obtained by Portuguese resident individuals on the transfer of the Notes are taxed at a rate of 20 per cent. levied on the positive difference between the capital gains and capital losses of each year. In this respect, an income tax exemption applies if such annual positive difference does not exceed € 500.

There is no Portuguese withholding tax on capital gains.

CIT

Investment income and capital gains

Interest and other investment income derived from the Notes and capital gains obtained with the transfer of the Notes by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to progressive CIT rates according to which a 12.5 per cent. tax rate will be applicable on the first €12,500 of taxable income and a 25 per cent. tax rate will be applicable on taxable income exceeding €12,500, to which may be added a municipal surcharge (*derrama*) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than € 2,000,000 are also subject to a State surcharge (*derrama estadual*) of 2.5 per cent. on the part of its taxable profits that exceeds € 2,000,000.

There is no Portuguese withholding tax (i) on capital gains and (ii) on investment income arising from the Notes even if there is a Portuguese paying agent that made available such income to the legal persons resident in Portugal for tax purposes.

EU Savings Directive

Portugal has implemented the Directive into the Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended by Law no. 39-A/2005, of 29 July 2005.

SPANISH TAXATION

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Spain, though it is not intended to be, nor should it be construed to be, legal or tax advice. This section does not constitute a complete description of all the tax issues that may be relevant in making the decision to invest in the Securities or of all the tax consequences that may derive from the subscription, acquisition, holding, transfer, redemption or reimbursement of the Securities and does not purport to describe the tax consequences applicable to categories of investors subject to special tax rules. Prospective investors in the Securities should therefore consult their own professional advisers as to the effects of state, regional or local law in Spain, to which they may be subject.

Individuals with Tax Residence in Spain

N&C Securities

Personal Income Tax

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever the source is and wherever the relevant payer is established. Therefore any income that Spanish holders may receive under the N&C Securities will be subject to Spanish taxation.

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities obtained by individuals who are tax resident in Spain will be regarded as financial income for tax purposes (i.e. a return on investment derived from the transfer of own capital to third parties).

Both types of income will be included in the savings part of the taxable income subject to Personal Income Tax and taxed at the following tax rates: (i) financial income up to EUR6,000 will be taxed at a rate of 19 per cent.; and (ii) the excess over such threshold will be subject to a tax rate of 21 per cent.

Spanish holders of the N&C Securities shall compute the gross interest obtained in the savings part of the taxable base of the tax period in which it is due, including amounts withheld, if any.

Income arising on the disposal, redemption or reimbursement of the N&C Securities will be calculated as the difference between: (a) their disposal, redemption or reimbursement value; and (b) their acquisition or subscription value. Costs and expenses effectively borne by the holder on the acquisition and transfer of the N&C Securities may be taken into account for calculating the relevant taxable income, provided that they can be duly justified.

Likewise, expenses relating to the management and deposit of the N&C Securities, if any, will be tax-deductible, excluding those pertaining to discretionary or individual portfolio management.

Losses that may derive from the transfer of the N&C Securities cannot be offset if the investor acquires homogeneous securities within the two-month period prior or subsequent to the transfer of the N&C Securities, until he/she transfers such homogeneous securities.

Additionally, tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the N&C Securities, if any.

Wealth Tax

Individuals who are Spanish tax residents are subject to an annual wealth tax (**Wealth Tax**) on 31 December on their total net wealth, regardless of the location of their assets (such as the N&C Securities) or of where their rights may be exercised. However, according to Law 4/2008 of 23 December, taxpayers benefit from a 100 per cent. tax credit on their Wealth Tax liability as from 2008. This tax credit in practical terms means that taxpayers are effectively tax exempt from Wealth Tax. Taxpayers do not have the obligation to file the annual tax return as a result of this change.

Inheritance and Gift Tax

Inheritance and Gift Tax is levied on individuals' heirs and donees resident in Spain for tax purposes. It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. The applicable tax rate currently ranges between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

W&C Securities

Personal Income Tax

The premium or amount paid for the subscription of the W&C Securities would not be considered as a deductible expense, but as the acquisition value, which would include the expenses and commissions, inherent to the acquisition, paid by the acquirer.

Income obtained by the holders of the W&C Securities covered by the Base Prospectus on their transfer before the expiration date, will be considered as capital gains or losses in accordance with the provisions of the Spanish Personal Income Tax Law. The gain or loss shall be calculated as a difference between the transfer value, once any expenses and commissions paid by the taxpayer have been deducted, and the acquisition value, as defined above.

Upon the exercise of the W&C Securities, income obtained would be considered as a capital gain or loss, which will be calculated as the difference between (i) the value of the cash and/or the market value of the physical amount(s) due in respect of the relevant W&C Securities once any expenses and commissions paid by the taxpayer have been deducted, and (ii) the acquisition value, as defined above.

Failure to exercise any W&C Securities on the expiration date would give rise to a capital loss on the acquisition value.

Income derived from the transfer or exercise of the W&C Securities will be included in the savings part of the taxable income subject to Personal Income Tax and taxed at the following tax rates: (i) financial income up to EUR 6,000 will be taxed at a rate of 19 per cent.; and (ii) the excess over such threshold will be subject to a tax rate of 21 per cent..

Wealth Tax

Individuals who are Spanish tax residents are subject to an annual Wealth Tax on 31 December on their total net wealth, regardless of the location of their assets (such as the W&C Securities) or of where their rights may be exercised. However, according to Law 4/2008 of 23 December, taxpayers benefit from a 100 per cent. tax credit on their Wealth Tax liability as from 2008. This tax credit in practical terms means that taxpayers are effectively tax exempt from Wealth Tax. Taxpayers do not have the obligation to file the annual tax return as a result of this change.

Inheritance and Gift Tax

Inheritance and Gift Tax is levied on individuals' heirs and donees resident in Spain for tax purposes. It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. The applicable tax rate currently ranges between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

Legal Entities with Tax Residence in Spain

N&C Securities

Corporate Income Tax

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities obtained by entities which are resident for tax purposes in Spain shall be computed as taxable income of the tax period in which they accrue.

The general tax rate for limited liability companies is currently 30 per cent.. However, small sized companies (those companies whose net business income is lower than EUR 8,000,000) can benefit from the reduced tax rate of 25 per cent. on the first EUR 120,202.41 of their taxable profits. In addition to this, during the tax periods 2010 and 2011, companies with a net business income lower than EUR 5,000,000 and an average staff of 25 employees could benefit from the reduced rate of 20 per cent. on the first EUR 120,202.41 of their taxable profits, the rest of the taxable profits being subject to a tax rate of 25 per cent.. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

Tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the N&C Securities, if any.

W&C Securities

As a general rule, income obtained either through the transfer or the exercise of the W&C Securities and obtained by taxpayers subject to Corporate Income Tax will be included in their taxable income under the general provisions described for N&C Securities.

Individuals and legal entities with no Tax Residence in Spain

N&C Securities

A non-resident holder of N&C Securities, who has a permanent establishment in Spain to which such N&C Securities are effectively connected with, is subject to Spanish Non-Residents' Income Tax on any income under the N&C Securities, including both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities. In general terms, the tax rules applicable to individuals and legal entities with no tax residence in Spain but acting through a permanent establishment in Spain are the same as those applicable to Corporate Income Tax payers (see "*Corporate Income Tax*" above).

W&C Securities

As a general rule, income obtained by a permanent establishment located in Spain of a non-resident would be subject to taxation in a similar way to that applicable to Spanish tax resident Corporate Income Tax payers.

Spanish withholding tax

Where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the Securities or intervenes as manager in the collection of any income under the Securities, such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the N&C Securities (income from W&C Securities will not be subject to withholding tax in Spain). The current withholding tax rate in Spain is 19 per cent..

Amounts withheld in Spain, if any, can be credited against the final Spanish Personal Income Tax liability, in the case of Spanish tax resident individuals, or against final Spanish Corporate Income Tax liability, in the case of Spanish corporate, or against final Non-Residents' Income Tax, in the case of a Spanish permanent establishment of a non-resident holder of the N&C Securities. However, holders of the N&C Securities who are Corporate Income Tax payers or Non-Residents' Income Tax payers acting through a permanent establishment in Spain to which the N&C Securities are effectively connected can benefit from a withholding tax exemption when the N&C Securities are listed in an OECD official stock exchange. This will be the case as the N&C Securities are expected to trade on the London Stock Exchange's Regulated Market.

Furthermore, such financial institution may become obliged to comply with the formalities set out in the Regulations on Spanish Personal Income Tax (Royal Decree 439/2007, of 30 March) and Corporate Income

Tax (Royal Decree 1777/2004, of 30 July) when intervening in the transfer or reimbursement of the N&C Securities.

Indirect taxation

The acquisition, transfer, redemption, reimbursement and exchange of the Securities will be exempt from Transfer Tax and Stamp Duty as well as Value Added Tax.

THE NETHERLANDS TAXATION

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only for holders of Securities who are residents or deemed residents of the Netherlands for Netherlands tax purposes. Each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Securities holding a substantial interest (aanmerkelijk belang) or deemed substantial interest (fictief aanmerkelijk belang) in the Issuer and holders of Securities of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;*
- (ii) investment institutions (fiscale beleggingsinstellingen); and*
- (iii) pension funds, exempt investment institutions (vrijgestelde fiscale beleggingsinstellingen) or other entities that are exempt from Netherlands corporate income tax.*
- (iv) holders of Securities for whom the benefits from the Securities qualify for the participation exemption within the meaning of article 13 of the Netherlands corporate income tax act 1969 (Wet op de vennootschapsbelasting 1969).*

This summary does not describe the consequences of the exchange or the conversion of the Securities.

Where this summary refers to a holder of Securities, such reference is restricted to a holder holding legal title to as well as an economic interest in such Securities.

For the purpose of the Netherlands tax consequences described herein, it is assumed that the Issuer is neither a resident nor deemed to be a resident of the Netherlands for Netherlands tax purposes.

Netherlands Withholding Tax

All payments made by the Issuer under the Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Netherlands Corporate and Individual Income Tax

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in the Netherlands (at up to a maximum rate of 25.5 per cent.).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Securities are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Securities are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Securities, taxable income with regard to the Securities must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Securities less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Securities will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments will be taxed at a rate of 30 per cent..

Netherlands Gift and Inheritance Tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Security by way of gift by, or on the death of, a holder of a Security, unless:

- (i) the holder of a Security is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Netherlands Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Securities or in respect of a cash payment made under the Securities, or in respect of a transfer of Securities.

Other Netherlands Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Securities."

2. OFFERING AND SALE

As of the date of this Supplement, the section entitled "**OFFERING AND SALE**" in the Base Prospectus will be supplemented by the insertion of the following sub-sections immediately after the sub-section entitled "**UNITED KINGDOM**":

"BELGIUM

With regard to Securities having a maturity of less than 12 months (and which therefore falling outside the scope of the Prospectus Directive), this Base Prospectus has not been, and it is not expected that it will be, submitted for approval to the Belgian Banking, Finance and Insurance Commission. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of these Securities in Belgium in accordance with the Prospectus Law on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended or replaced from time to time.

Bearer securities (including, without limitation, definitive securities in bearer form and securities in bearer form underlying the Securities) shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

Fund Linked Securities will not be offered in Belgium unless Cash Settlement applies or unless the underlying fund(s) are registered in accordance with the law of 20 July 2004 on the collective management of investment portfolios and can be offered to the public in Belgium.

Unless specified otherwise, the funds underlying the Fund Linked Securities are not registered in accordance with the law of 20 July 2004 on the collective management of investment portfolios and can not be offered to the public in Belgium.

FRANCE

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in respect of any offer of Securities to the public in France (*offre au public de titres financiers*), it has only made and will only make an offer of Securities to the public in France and it has distributed or caused to be distributed and will distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Securities in the period beginning (a) on the date of publication of the Base Prospectus in relation to those Securities which have been approved by the *Autorité des Marchés Financiers* (the **AMF**) in France or, (b) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive No. 2003/71/EC, on the date of

notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the Base Prospectus all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

- (ii) in respect of any private placement in France, it has not offered or sold and will not offer or sell, directly or indirectly, any Securities to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Securities and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

THE GRAND DUCHY OF LUXEMBOURG

In addition to the cases described in the section entitled Public Offer Selling Restriction under the Prospectus Directive in which the Dealers can make an offer of Securities to the public in a Relevant Member State (including the Grand Duchy of Luxembourg) (**Luxembourg**), the Dealers can also make an offer of Securities to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 on prospectuses for securities, implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de surveillance du secteur financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

PORTUGAL

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Securities may only be offered by any such Dealer to the public in the Portuguese Republic under circumstances which are deemed to be a public offer (*oferta pública*) under the Portuguese Securities Code (*Código dos Valores Mobiliários*, **PSC**) enacted by Decree Law no. 486/99 of November 13 as amended from time to time, subject to the fulfilment of the requirements and provisions applicable to public offerings in Portugal.

In particular, no offering materials will be publicly distributed in Portugal by any such Dealer and no publicity or marketing activities related to Securities will be conducted in Portugal by any such Dealer unless the provisions relating to public offerings of securities in Portugal (if applicable) are duly complied with.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell,

re-sell, re-offer or deliver any Securities in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the PSC, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having a permanent establishment located in Portuguese territory, as the case may be, or in circumstances which could qualify the issue of Securities as an issue in the Portuguese market except in accordance with all applicable laws and regulations; (ii) all offers, sales and distributions by it of Securities have been and will only be made in Portugal in circumstances that, pursuant to the PSC or other securities legislation or regulations, qualify as a private placement of Securities (*oferta particular*) except if such offers, sales and distributions qualify as and follow the requirements applicable to a public offer (*oferta pública*) pursuant to the aforementioned provisions; (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed in Portugal this Base Prospectus or any other offering material relating to Securities except in accordance with all applicable laws and regulations; and (iv) it will comply with all provisions of the PSC, of the Regulation (EC) 809/2004 of 29 April 2004 and of any Portuguese securities laws and regulations that may be applicable to it in respect of any offer or sale of Securities by it in Portugal or to individuals or entities resident in Portugal or having a permanent establishment located in Portuguese territory, as the case may be, including the publication of a prospectus, when applicable, or commencing a prospectus recognition procedure with the Portuguese Securities Commission (*Comissão do Mercado de Valores Mobiliários, CMVM*), and/or filing with the CMVM and disclosing to investors an informative document under the applicable Portuguese regulatory provisions, namely CMVM's Regulation 1/2009 on complex financial products, when applicable."