BASE PROSPECTUS

BANCO SANTANDER TOTTA, S. A.

(incorporated with limited liability in the Republic of Portugal)
acting through its Lisbon Head Office

and

TOTTA (IRELAND) p.l.c.

(incorporated with limited liability in Ireland)
(each an "Issuer" and together the "Issuers")

with obligations under Notes issued by Totta (Ireland) p.l.c. being unconditionally and irrevocably guaranteed by **BANCO SANTANDER TOTTA, S.A., ACTING THROUGH ITS LONDON BRANCH** (the "*Guarantor*")

EUR 10,000,000,000
Euro Medium Term Note Programme

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "*CSSF*") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the "*Prospectus Act 2005*") to approve this document as a base prospectus in relation to each Issuer. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of either Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for notes ("*Notes*") issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange (the "*Official List*").

References in this Base Prospectus to Notes being "*listed*" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Notes will be issued either (i) in the case of Totta (Ireland) p.l.c. ("*Totta Ireland*") only, in bearer form and accepted for clearance through Euroclear Bank, SA/NV ("*Euroclear*") and Clearstream Banking, société anonyme, Luxembourg ("*CBL*") or (ii) in the case of Banco Santander Totta, S.A., acting through its Lisbon Head Office ("*BST*") only, in dematerialised book entry form (*forma escritural*) integrated in and held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("*Interbolsa*"), as operator of the Portuguese centralised securities system, Central de Valores Mobiliários ("*CVM*") and can either be *nominativas* (in which case Interbolsa, at the request of BST, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Noteholders and transmit such information to BST) or *ao portador* (in which case Interbolsa cannot inform BST of the identity of the Noteholders). The CVM currently has links in place with Euroclear and CBL through accounts held by Euroclear and CBL with Interbolsa Affiliate Members (as described below).

An investment in the Notes involves certain risks. For discussion of these risks, see "*Risk Factors*" beginning on page 14 of this Base Prospectus. Investors should also see the "*Terms and Conditions of the Notes Part II – Portuguese Law Notes; Interbolsa Settlement*" beginning on page 69 and "*Taxation*" beginning on page 118 in respect of procedures to be followed to receive payments under the Interbolsa Notes (as defined below). Noteholders are required to take affirmative action as described herein in order to receive payments on the Interbolsa Notes free from Portuguese withholding tax. Noteholders must rely on the procedures of Interbolsa to receive payments under the Interbolsa Notes.

Banco Santander Totta, S.A. has been assigned a long-term debt rating of "Ba1" with a stable outlook from Moody's Investors Services Ltd. ("*Moody's*"), "BB+" with a credit watch (stable) from Standard & Poor's Credit Market Services Europe Limited ("*S&P*"), "BBB" with a stable outlook from Fitch Ratings Limited ("*Fitch*") and "BBB (high)" with a stable outlook from DBRS, Inc. ("*DBRS*"). Each of Moody's, S&P and Fitch is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "*CRA Regulation*"). DBRS is not established in the European Union and has not applied for registration under the CRA Regulation. DBRS' ratings are endorsed by DBRS Ratings Limited in accordance with the CRA Regulation. DBRS Ratings Limited is established in the European Union and registered under the CRA Regulation. The European Securities and Markets Authority ("*ESMA*") has indicated that ratings issued in the USA which have been endorsed by DBRS Ratings Limited may be used in the EU by the relevant market participants. The list of registered and certified rating agencies is published by ESMA on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to any other Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to or assigned to a relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms.

Arranger
Deutsche Bank

Dealers

Banco Santander Totta, S.A.

Barclays
Credit Suisse
Morgan Stanley

BofA Merrill Lynch
Deutsche Bank
Santander

Société Générale Corporate & Investment Banking

The date of this Base Prospectus is 30 May 2016.

IMPORTANT INFORMATION

This Base Prospectus comprises two base prospectuses for the purposes of Article 5.4 of the Prospectus Directive. When used in this Offering Circular, "*Prospectus Directive*" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area (the "*EEA*").

Each of BST, Totta Ireland and the Guarantor (as defined below) (in the case of Notes Issued by Totta Ireland) (the "*Responsible Persons*") accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Responsible Persons (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

Under this EUR 10,000,000,000 Euro Medium Term Note Programme (the "*Programme*"), BST or Totta Ireland may from time to time issue Notes denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined herein).

Payments in respect of Notes issued by Totta Ireland will be unconditionally and irrevocably guaranteed by Banco Santander Totta, S.A., acting through its London Branch (the "*Guarantor*").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 10,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuers (each a "*Dealer*" and together the "*Dealers*"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "*relevant Dealer*" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Responsible Persons in connection with the Programme.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuers or the Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document

containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "*Final Terms*") which, with respect to Notes to be listed on the Luxembourg Stock Exchange will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by Totta Ireland) and the relevant Dealer. All Notes issued by Totta Ireland will be listed on a recognised stock exchange. BST may issue unlisted Notes and/or Notes not admitted to trading on any market or Notes listed or admitted to trading on other stock exchanges.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFER OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuers, the Guarantor or the Dealers which is intended to permit a public offering of any Notes outside Luxembourg or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, Japan and the EEA (including the United Kingdom, Ireland, Portugal and France) (see "*Subscription and Sale*").

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than EUR 100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "*Relevant Member State*") must be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for either of the Issuers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for either of the Issuers or any Dealer to publish or supplement a prospectus for such offer.

Prospective investors should understand the risks of investing in any type of Note before they make their investment decision. They should make their own independent decision to invest in any type of Note and as to whether an investment in such Note is appropriate or proper for them based upon their own judgment and upon advice from such advisers as they consider necessary.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "*Securities Act*") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

PRESENTATION OF INFORMATION

In this Base Prospectus, all references to:

- **"*United States"* refer to the United States of America, its territories and possessions;**
- **"*U.S. dollars*", "*U.S.$*" and "*$*" refer to United States dollars;**
- **"*Sterling*" and "£" refer to pounds sterling, the lawful currency of the United Kingdom; and**
- **"*euro*", "*EUR*", "*Eur*" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.**

Certain figures in this Base Prospectus have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the figures which precede them.

In respect of information in this Base Prospectus sourced from a third party, the Responsible Persons confirm that the information has been accurately reproduced and that as far as the Responsible Persons are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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STABILISATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealers named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation 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 Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allocation must be conducted by the relevant Stabilisation Manager(s) (or person(s)) acting on behalf of any Stabilisation Manager(s) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuers and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes and, if appropriate, a supplement to the Base Prospectus or a new Base Prospectus will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004, as amended, implementing Directive 2003/71/EC ("Prospectus Regulation").

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

Issuers:	Banco Santander Totta, S.A., a limited liability company (*sociedade anónima*) and a credit institution registered and incorporated in Portugal, acting as an issuer through its Lisbon Head Office ("*BST*") or Totta (Ireland) p.l.c. ("*Totta Ireland*"), a public limited company registered and incorporated in Ireland with activity in the holding and trading of securities and other investment instruments, as indicated in the applicable Final Terms.
Guarantor:	Obligations in respect of Notes issued by Totta Ireland will be unconditionally and irrevocably guaranteed by Banco Santander Totta, S.A., acting through its London Branch.
Risk Factors:	Prospective investors should understand the risks of investing in any type of Note before they make their investment decision. They should make their own independent decision to invest in any type of Note and as to whether an investment in such Note is appropriate or proper for them based upon their own judgment and upon advice from such advisers as they consider necessary. In connection with the Notes there are risk factors relating to: (a) the ability of each Issuer to fulfil its obligations under Notes issued by it; and (b) assessing the market risks associated with Notes due to their particular structure or the nature of the market. Factors which may affect the ability of BST to fulfil its obligations under the Notes issued by it include, *inter alia*: (i) exposure to adverse changes in the Portuguese economy; (ii) the Euro Zone sovereign debt crisis; (iii) the credit risk of borrowers and clients of the BST; (iv) a sudden shortage of customer deposits; (v) possible rating downgrades of Portugal and its impact on funding of the economy and on BST's activity and other market risks to which BST is or may become exposed; (vi) deterioration of the business conditions in the mortgage and construction lending sector; (vii) volatility in interest rates; (viii) changes in the market interest rates which may affect the interest rates charged on the interest-earning assets differently from the interest rates paid on interest-bearing liabilities;

(ix) foreign exchange rate fluctuations;

(x) exposure to operational and technological risks;

(xi) changes in supervisions and regulation; and

(xii) increased competition in BST's principal areas of operation.

Totta Ireland's ability to fulfil its obligations under the Notes may be affected by volatility in interest rates and by its dependence on Banco Santander Totta, S.A.

There are a number of factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include the risks associated with Notes issued under the Programme associated with their structure.

There are additional factors which are material for the purpose of assessing the market risks associated with the Interbolsa Notes. In connection with the Interbolsa Notes (as defined below) there are also risk factors relating to:

(i) the Interbolsa Notes being held through accounts of an Affiliate Member of Interbolsa. Investors must rely on procedures applied by Interbolsa with respect to:

- the form and transfer of Interbolsa Notes;
- payment procedures of the Interbolsa Notes;
- notice to the holders of the Interbolsa Notes; and

(ii) the Portuguese tax rules for Interbolsa Notes.

A more detailed description of risk factors begins on page 14 below.

Risk factors are designed both to protect investors from investments for which they are not suitable and to set out the financial risks associated with an investment in a particular type of instrument.

Arranger: Deutsche Bank AG, London Branch

Dealers: Banco Santander, S.A.

Banco Santander Totta, S.A.

Barclays Bank PLC

Credit Suisse Securities (Europe) Limited

Deutsche Bank AG, London Branch

Merrill Lynch International

Morgan Stanley & Co. International plc

Société Générale

and any other Dealers appointed in accordance with the Programme Agreement.

Issuing and Principal Paying Agent: Deutsche Bank AG, London Branch

Portuguese Paying Agent: Banco Santander Totta, S.A.

Programme Size: Up to EUR 10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis (subject to applicable Irish tax law requirements).
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency as may be agreed between the relevant Issuer and the relevant Dealer. Interbolsa Notes can only be issued in such currencies as Interbolsa may from time to time accept (for the time being, such currencies are Euro, U.S. dollars, Sterling, Japanese Yen, Swiss francs, Australian dollars and Canadian dollars). For the time being, Interbolsa will only settle and clear Notes denominated in Euro, U.S. dollars, Sterling, Japanese Yen, Swiss francs, Australian dollars and Canadian dollars.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. Notes will not be issued with a maturity of less than one year.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Global Notes and Definitive Notes will be issued in bearer form as described in "*Form of the Notes, Clearing and Payments*". BST will not issue Global Notes or Definitive Notes. The Interbolsa Notes (the "*Interbolsa Notes*") issued in dematerialised book-entry form ("*forma escritural*") are and will be held through the accounts of affiliate members of the Portuguese central securities depositary (each an "*Affiliate Member of Interbolsa*") and the manager of the Portuguese settlement system, Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("*Interbolsa*"), as operator and manager of the "*Central de Valores Mobiliários*" (the "*CVM*") and can either be *nominativas* (in which case Interbolsa, at the request of BST, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Noteholders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform BST of the identity of the Noteholders). The form of the Interbolsa Notes is described more comprehensively in "*Form of the Notes, Clearing and Payments*". Totta Ireland will not issue Interbolsa Notes. If the applicable Final Terms specifies that U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(C) (or any successor United States Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "*TEFRA C Rules*") applies, a Tranche of Notes in bearer form will be represented by a global Note without interest coupons or talons (a "*TEFRA C Global Note*"). A TEFRA C Global Note may be exchangeable in whole or, in the circumstances described in such Notes, in part for Definitive Notes:

(i) upon not less than 60 days' written notice being given to the Agent by Euroclear and/or CBL (as defined below) acting on the instructions of any holder of an interest in such TEFRA C Global Note; or

(ii) upon the occurrence of an Exchange Event (as defined in "*Form of the Notes*" below),

in each case, as specified in the applicable Final Terms.

If the applicable Final Terms specifies that U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any successor United States Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "*TEFRA D Rules*") applies, a Tranche of Notes in bearer form will initially be represented by a temporary global Note without interest coupons or talons (a "*Temporary Global Note*"). Each Tranche of Notes represented by a Temporary Global Note will be deposited on the relevant Issue Date with a common depositary or common safekeeper, as the case may be, for Euroclear and/or CBL and will be exchangeable in accordance with its terms for either a permanent global Note (a "*Permanent Global Note*") or Definitive Notes (as specified in the applicable Final Terms) in each case not earlier than 40 days after the relevant Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury Regulations. A Permanent Global Note may be exchanged for Definitive Notes in the circumstances set out in (i) or (ii) as referred to in the immediately preceding paragraph, construing references to a TEFRA C Global Note as references to a Permanent Global Note, in each case as specified in the applicable Final Terms.

If neither TEFRA C nor TEFRA D is applicable, the applicable Final Terms will specify "TEFRA not applicable".

Interests in a Global Note will be transferable only in accordance with the applicable rules and procedures for the time being of CBL and/or Euroclear.

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

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

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(ii) on the basis of the reference rate set out in the applicable Final Terms.

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

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period,

as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

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

Cash Bonds (*obrigações de caixa*): Portuguese law Notes may qualify as cash bonds ("*obrigações de caixa*") under the terms of Decree-Law 408/91, of 17 October 1991 (as amended), provided that certain requirements set out therein are met, including that (i) such Notes have a maturity of not less than two years, (ii) BST is not entitled to acquire such Notes before two years have elapsed since the relevant Issue Date and (iii) the Noteholders may not choose to redeem such Notes before one year has elapsed since the relevant Issue Date.

Redemption: The Final Terms relating to each Tranche of Notes will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as are indicated in the applicable Final Terms.

Unless previously redeemed or purchased and cancelled, each Note will be redeemed by the relevant Issuer at least 100 per cent. of its nominal value on its scheduled maturity date.

Denomination of Notes: Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see "*Certain Restrictions*" above) and save that the minimum denomination of each Note will be EUR 100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation: All payments in respect of the Global Notes and Definitive Notes by Totta Ireland or, as the case may be, the Guarantor will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 7 of the English law Notes), subject as provided in Condition 7 of the English law Notes. In the event that any such deduction is made, Totta Ireland or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 7 of the English law Notes, be required to pay additional amounts to cover the amounts so deducted.

All payments in respect of the Interbolsa Notes by BST, will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 7 of the Portuguese law Notes), subject as provided in Condition 7 of the Portuguese law Notes. In the event that any such deduction is made, BST will, save in certain limited circumstances provided in Condition 7 of the Portuguese law Notes, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 of the Notes.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9(v) of the English law Notes and Condition 9(v) of the Portuguese law Notes.
Status of the Notes:	The Notes and any related Coupons will constitute direct, unconditional, unsecured (subject to the provisions of Condition 3 of the Notes) and unsubordinated obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) *pari passu* with all other present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, from time to time outstanding.
Status of the Guarantee in respect of Global Notes and Definitive Notes issued by Totta Ireland:	In respect of Notes and any related Coupons issued by Totta Ireland, the obligations of the Guarantor under the Guarantee are direct, unsecured (subject to the provisions of Condition 3 of the Notes) and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) *pari passu* with all other present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Guarantor, from time to time outstanding.
Approval, listing and admission to trading:	Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by Totta Ireland) and the relevant Dealer in relation to the Series. All Notes issued by Totta Ireland will be listed on a recognised stock exchange. BST may issue Notes which are neither listed nor admitted to trading on any market. The applicable Final Terms will state whether or not the Notes issued by BST are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Global Notes and Definitive Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law. Interbolsa Notes shall be governed by, and shall be construed in accordance with, Portuguese law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, Japan and the EEA (including the United Kingdom, Portugal, Ireland and France) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*" below.
United States Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in a transaction exempt from or not subject to the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in reliance upon Regulation S under the Securities Act. There are also restrictions under United States tax laws on the offer or sale of the Notes. Either TEFRA C or TEFRA D will apply to Notes in bearer

	form with a maturity equal to or more than one year as indicated in the applicable Final Terms. TEFRA C will apply to Interbolsa Notes, see "*Subscription and Sale*" below.
Clearance and Settlement:	Notes will be accepted for clearance through one or more Clearing Systems as specified in the applicable Final Terms. These systems will include those operated by Clearstream Banking, société anonyme, Luxembourg *("CBL"),* Euroclear Bank SA/NV ("*Euroclear*") and Central de Valores Mobiliários ("*CVM*"), the clearing system operated at Interbolsa. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear, CBL or Interbolsa will be specified in the applicable Final Terms.
Rating:	Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to any other Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Representation of the holders of the Notes:	There is no provision for the representation of holders of the Notes in bearer form. Holders of Interbolsa Notes may appoint a common representative.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuers (and, in the case of Notes issued by Totta Ireland, the Guarantor) may become insolvent or otherwise be unable to make all payments due in respect of the Notes and the Guarantee. There is a wide range of factors which individually or together could result in the Issuers (and, in the case of Notes issued by Totta Ireland, the Guarantor) becoming unable to make all payments due in respect of the Notes and the Guarantee. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers (and, in the case of Notes issued by Totta Ireland, the Guarantor) may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuers' (or, in the case of Notes issued by Totta Ireland, the Guarantor's) control. The Issuers or, in the case of Notes issued by Totta Ireland, the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes and the Guarantee.

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

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH BST, TOTTA IRELAND AND THE BST GROUP

BST is highly sensitive to changes in the Portuguese economy, which is undergoing a process of significant economic reforms that might increase uncertainty in the short term

BST together with its consolidated subsidiaries and the holding company Santander Totta, SGPS, S.A., (the "*BST Group*") is highly sensitive to changes in the Portuguese economy.

As a result of deteriorating economic conditions in Portugal since the financial crisis that began in mid-2007, the Portuguese government requested external assistance from the International Monetary Fund (the "*IMF*"), the European Commission (the "*EC*") and the European Central Bank (the "*ECB*", together, the "*Troika*") in April 2011. The Economic Adjustment Programme (the "*Adjustment Programme*") agreed with the Troika provided for the availability of financial support to Portugal in the amount of EUR 78 billion over a three year period which was scheduled to end on 17 May 2014. For technical reasons, an extension of six weeks was granted to complete a final assessment and therefore the Adjustment Programme ended on 30 June 2014 following an announcement by the Portuguese Government that it would conclude and exit the Adjustment Programme without requesting further assistance.

As part of the Adjustment Programme commitments, the Portuguese Government achieved the budgetary and public debt targets and implemented some reforms that reduced the general government deficit from almost 10 per cent. of GDP in 2010 to approximately 4.5 of GDP per cent. in 2014. Excluding one-off measures, the 2015 fiscal deficit stood at 3 per cent. of GDP, resulting in a primary surplus of 1.6 per cent. of GDP (an improvement from a primary deficit of 8.2 per cent. of GDP in 2010). In addition, the Adjustment Programme was intended to lead to a reduction in the Portuguese public debt to GDP ratio after 2013 and contained structural measures and policy guidelines designed to boost the country's competitiveness and improve Portugal's growth rates in the medium term.

Portugal complied with the targets imposed by the Troika under the Adjustment Programme and the last assessment thereunder in April 2014 was positive. As at 31 May 2014, Portugal had received EUR 77.7 billion, and it concluded and exited the Adjustment Programme having received a total amount of EUR 78.1 billion.

The performance of the Portuguese economy between 2011 and 2014 was highly dependent on the implementation of the Adjustment Programme. The need to reduce the public deficit was addressed by the adoption of very restrictive budget-oriented policies, with negative impacts on economic activity in the near term. At the same time, the private sector - corporate, financial and households - continued its deleveraging process. Under these circumstances, GDP decreased by approximately 1.1 per cent. in 2013, after having contracted by 4.0 per cent. in 2012 and by 1.8 per cent. in 2011. This contraction was driven by a significant decline in domestic demand, equalling approximately 15.5 per cent. in real and accumulated terms for this three-year period. In 2013, the favourable performance of exports and a stabilisation in domestic demand triggered the recovery of economic activity from the second quarter. In 2015, GDP grew 1.5 per cent., after a very modest acceleration in 2014, where economic activity grew 0.9 per cent. For 2016, the GDP is estimated to grow 1.5 per cent.. (*Source*: *Bank of Portugal*)

The deleveraging and financial rebalancing of all business sectors resulted in a surplus of external current account of 1.3 per cent. of GDP in 2014 and 1.8 per cent. of GDP in 2015. The recovery of activity and the fiscal consolidation measures implemented by the Portuguese Government contributed towards a reduction in the general government deficit (as adjusted by the Troika's criteria) to about 4.5 per cent. of GDP in 2014 (*Source: Portuguese Public Finance Council,"Evolução Económica e orçamental até ao final do 1.º trimestre de 2015" – Relatório nº. 6/2015, Julho 2015*). This was below the target of 4.8 per cent. of GDP, and excluding one-off effects (such as the financing of state-owned companies in the transportation sector and the costs with the legacy assets from Banco Português de Negócios), the deficit stood at 7.3 per cent. of GDP. Portugal's deficit in previous years has been revised due to the methodological changes implied by the new European System of National Accounts (ESA2010) which stated that the transfer of pension funds no longer has a fiscal impact. For 2015, the general government deficit stood at -4.3 per cent. of GDP.

For 2016, the ongoing fiscal developments are subject to uncertainty because some of the measures implemented during the Adjustment Programme are or may be reversed, including the cuts in wages and pensions for the civil service, which the Constitutional Court of Portugal only accepted for the purposes of the Adjustment Programme.

Given its high level of public debt, despite the successful conclusion of the Adjustment Programme, Portugal will need to continue to pursue a fiscal consolidation strategy and to implement structural reforms that stimulate growth, and simultaneously promote the reduction of budgetary deficit (the Government budget target for 2016 is -2.2 per cent. of GDP) and keeping the public debt ratio on a debt sustainability trajectory. The implementation of such measures requires a continued commitment of the Portuguese Government. Possible changes to the governmental policies may have an effect on budget execution and on structural reforms. In addition, significant resistance from unions and/or the Portuguese public to these continuing reforms may put pressure on the Portuguese Government's capacity to implement such measures in the future. Therefore, the successful implementation of the Adjustment Programme does not guarantee, by itself, that the Portuguese economy will move into a period of sustained and robust growth, thus enabling an easing of the financial constraints of the country and boosting the conditions for direct foreign investment. In addition, the success of the Adjustment Programme does not provide immunity from further negative impact from the other Eurozone countries as a result of worsening global economic conditions, including the credit profile of other countries of the European Union ("EU"), the credit-worthiness of business partners, financial or otherwise, or from repercussions of changes to the European institutional framework, which might result in increased or continued investor fears regarding Portugal's capacity to honour its financial commitments.

Portugal growth outlook remains positive, with the recovery of economic activity being on track and showing continuous signs of improvement. For 2016, the Bank of Portugal estimates a growth of 1.5 per cent. and the IMF anticipates a slowdown to 1.4 per cent., although unemployment has been in a declining trajectory since 2013 until 2015.

In 2015, long term yields have declined in all maturity curves, with a further narrowing of spreads vis-à-vis the German Government Bonds, and Portugal has been able to maintain its market funding at reduced interest rate levels. During this period, Portugal has anticipated the partial repayment of EUR 8.4 billion to the IMF, given the better conditions prevailing in wholesale markets, in terms of both pricing and maturities.

Market risks remain high and uncertainties continue as to the financing conditions Portugal will face in the future, as the Portuguese sovereign yields may suffer from increased volatility, which might in turn have a negative impact on the funding conditions for the BST Group. During the first quarter of 2016, as a direct consequence of political discussions regarding government budget approval, yield curve levels have increased as well as the spread against German sovereign yield curve.

Concerns relating to Portuguese public finances and to political and social stability in Portugal have affected and may continue to affect the liquidity and profitability of financial institutions in Portugal, resulting in, amongst other things, lower market values for Portuguese debt; limited liquidity in the Portuguese banking sector and reliance on external funding; increased competition for, and thus cost of, customer deposits; limited credit extension to customers; and a deterioration of credit quality.

The macroeconomic conditions in Portugal could affect the behaviour and the financial condition of the BST Group's clients, and consequently, the demand for the products and services that the BST Group offers. In particular, and despite the recent signs of improvement in the labour market (with a decline of -0.5 per cent. in the unemployment rate to 12.4 per cent. from 2014 to 2015) and the reduction of the number of corporate insolvencies, it is expected that the high unemployment rate, the low profitability, the high level of indebtedness of companies and an increase in company and personal insolvencies will continue to have a negative influence on the BST Group's clients' ability to pay back loans, and, consequently, could cause an increase in overdue loans and impairments related to loans and other financial assets. The occurrence of

any of these events could have a material adverse effect on BST's business activities, financial condition and results of operations.

Portugal may be subject to further rating reviews by the rating agencies, with implications on the funding of the economy and on BST's activity

Current ratings of the Portuguese Republic are as follows: S&P: BB+ as of 18 September 2015, with credit watch stable as of 18 March 2015; Moody's: Ba1 as of 27 July 2014, with a stable outlook also as of 27 July 2014; Fitch: BB+ as of 4 November 2011, with a stable outlook as of 4 March 2016; DBRS: BBB (low) as of 30 January 2012, with a stable outlook as of 13 November 2015. DBRS is not established in the EU and has not applied for registration under the CRA Regulation. DBRS' ratings have been endorsed by DBRS Ratings Limited in accordance with the CRA Regulation. DBRS Ratings Limited is established in the EU and registered under the CRA Regulation.

The rating agencies S&P, Moody's, Fitch and DBRS have, on more than one occasion over the last few years, downgraded the long term rating of Portugal. The rating downgrades were due, essentially, to the uncertainties and risks arising from the budgetary consolidation process before and during the Adjustment Programme, the low competitiveness of the Portuguese economy abroad, the external funding difficulties and the sustainability of the public debt dynamics. Due to the close link between the activities of Portuguese banks and the risk perceived in respect of Portugal, downgrades of the Portuguese sovereign rating ultimately triggered the downgrade of the rating of Portuguese banks. Although the effect of the rating downgrades of Portugal on the funding of Portuguese banks has been less stringent since the ECB has relaxed the rules for the eligibility of assets to be used as collateral for discount operations, any reduction in the rating of Portugal would mean increased haircuts and a reduction of the value of the pool of assets eligible for discount operations with the ECB, in particular with respect to securitisations and covered bonds. In any event, if downgrades of the Portuguese sovereign rating occur in the future, the perceived credit risk of Portugal will increase with negative effects on the credit risk of Portuguese banks (including BST) being likely also to take place and, consequently, those banks' funding capacity and profit levels will be impacted. The occurrence of any of these events could have a material adverse effect on BST's business activities, financial condition and results of operations.

The BST Group is constrained in its ability to obtain funding in the capital markets and may depend on the ECB for funding and liquidity

The ECB currently makes funding available to European banks that satisfy certain conditions to obtain such funding, including pledging eligible collateral. Notwithstanding the improvement in the ability to access the financial markets, funding conditions for Portuguese banks are still constrained. In this context, despite the ECB's net funding (net of investment) having been reduced to around EUR 2.1 billion in December 2015 (December 2014: EUR 3.8 billion) the BST Group's liquidity operations with the ECB continue to be very important.

As at 31 December 2015, the BST Group's portfolio of securities eligible for rediscount with the ECB was of EUR 11.3 billion, compared to EUR 12.3 billion as at 31 December 2014. The ECB establishes the valuation and the eligibility criteria that eligible securities must meet in order to be used on repo transactions with financial institutions. Downgrades of the credit rating of Portugal or of Portuguese companies or changes to the alluded valuations or eligibility criteria can have a negative impact on the portfolio of securities eligible for that purpose and reduce the liquidity lines available from the ECB. Additionally, downgrades of the credit rating of Portugal or of Portuguese companies can result in an increase in haircuts to any eligible collateral or to the non-eligibility of such assets, thereby decreasing the total amount of eligible portfolio. As the Portuguese Government elected not to negotiate a precautionary programme at the end of the Adjustment Programme, the eligibility of Portuguese public debt will depend on the maintenance of an "investment grade" rating by at least one rating agency (DBRS is the only rating agency that attributes an "investment grade" rating to Portugal). In this context, a credit rating downgrade of Portugal by DBRS would result in the non-eligibility of Portuguese public debt for financing with the ECB.

The curtailment or termination of liquidity operations by the ECB, including the end of the ECB LTRO (longer-term refinancing operations) Programme without a substitute or transitional measure, would force the BST Group to substitute its financing with the ECB with alternative sources of funding which may be available, if at all, at unfavourable conditions or force the BST Group to dispose of its assets, potentially with a high discount to their book values, in order to comply with its obligations and could significantly increase its funding costs.

In March 2016, in pursuing its price stability mandate, the ECB announced additional measures in addition to the cut of its main refinancing rate to from 0.05 per cent. to 0.00 per cent. and the change of the deposit facility rate for banks from minus 0.20 per cent. to minus 0.40 per cent., the ECB also announced three major decisions:

- launch of a new series of four targeted longer-term refinancing operations ("*TLTRO II*"), starting in June 2016, each with a maturity of four years;
- expand the monthly purchases under the asset purchase programme (APP) from EUR 60 billion to EUR 80 billion as well as increase the issuer and issue share limits for the purchases of securities issued by eligible international organisations and multilateral development banks from 33 per cent. to 50 per cent.; and
- include investment-grade euro denominated bonds issued by non-bank corporations established in the euro area in the list of assets that are eligible for regular purchases under a new corporate sector purchase programme.

The BST Group has been implementing measures in order to diversify its financing sources beyond the ECB, and has been implementing a deleveraging process by attempting to increase customer funds and reduce customer loans, having resumed its financing in the capital markets through the issue of covered bonds. This situation represents a risk of increasing financing costs, particularly considering the significant difference between ECB funding cost and the cost associated with collecting deposits and financing operations in the market, which may not be completely offset by the process of repricing loans. The occurrence of any of these events could thus have a material adverse effect on BST's business activities, financial condition and results of operations.

The development of the Eurozone sovereign debt crisis has led to, and may continue to be a source of turbulence for the markets and the development of economic activity in general, impacting BST's activity, and has also contributed to political instability and tensions between countries

The financial crisis has worsened the budgetary deficit of various European countries due to the need for additional government intervention to support economic activity and stabilise the financial systems. The response to the crisis has been multi-dimensional affecting various areas including relations and cooperation between Member States, reformulation of supervisory mechanisms, common fiscal measures, regulation of the financial system, mechanisms of emergency financial support to Member States, and adoption of exceptional mechanisms concerning monetary policy. These reforms have led to a profound review of the operating regime of the Monetary Union, whose solutions have not always been consensual or given rise to the intended outcomes.

The BST Group's businesses and performance are being, and may continue to be, negatively affected by current local and global economic conditions and adverse perceptions of those conditions and future economic prospects.

2015 was characterised by moderate optimism towards global macroeconomic indicators. The most developed economies, namely the United States and Europe, evidenced economic recovery, though the recovery in Europe remained weak. Despite the stronger growth, rapidly decelerating inflation, which was triggered by the decline in oil prices, led the ECB to implement an additional set of measures. These included an extension of the forward guidance monetary policy, for more targeted liquidity funding to the banking sector based on lending developments and a programme of acquisition of financial assets which initially consisted as ABS and covered bonds and, from March 2016 onwards included investment-grade euro denominated bonds issued by non-bank corporations.

Despite the moderate growth for the global economy in the near and medium term, sustainable economic growth continues to be a challenge, especially in the peripheral countries of the Eurozone, including Portugal. It is therefore expected that the central banks of the main global economies will maintain expansionary monetary policies to boost demand in those economies. Some factors may negatively affect forecasts for the global economy. These factors include the volatility felt in emerging markets, political tensions in the Middle East, vulnerability to terrorist attacks and the potential increase of interest rates in developed countries given the possible reversal of the monetary policy cycle in the United States.

Deflationary pressures on the Eurozone also represent a risk to the Portuguese economy, as the persistence of low inflation rates can lead to the postponement of investment decisions as well as to debt increases in real terms. In this context, the ECB will maintain or broaden its expansionist policies. Adverse economic and market conditions pose various challenges and exert downward pressure on asset prices and on credit availability, increase funding costs, and impacting credit recovery rates and the credit quality of the BST Group's businesses, customers and counterparties, including issuers of sovereign debt. In particular, the BST Group has significant exposure to customers and counterparties in the EU (particularly in Portugal) that would be affected by the restructuring of the terms, principal, interest or maturity of their borrowings.

During the next few years, a combination of an anticipated recovery in private sector demand and of a reduced pace of fiscal austerity in Europe and the United States is likely to result in a return by central banks towards more conventional monetary policies, following the recent period that has been characterised by

highly accommodative policies, which have helped to support demand at a time of very pronounced fiscal tightening and balance sheet repair. The possibility of a withdrawal of such programmes or slowing of monetary stimulus by one or more governments could lead to a generally weaker than expected growth, or even contracting GDP, reduced business confidence, higher levels of unemployment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices and consequently to an increase in delinquency rates and default rates among customers. Any further slowing of monetary stimulus and the actions and commercial soundness of other financial institutions have the potential to impact market liquidity. The adverse effect on the credit quality of the BST Group's customers and counterparties, coupled with a decline in collateral values, could lead to a reduction in recovery rates and high levels of impairment provisions, which could have a material adverse effect on the BST Group's business, financial condition and results of operations.

Any significant deterioration in the global economy, including in the credit profiles of other EU Member States or in the solvency of Portuguese or international banks, or other economic changes in the Eurozone could:

- negatively affect the capacity of the Portuguese Republic to satisfy its financing needs;
- have a material adverse effect on the value of portfolios of public debt securities of peripheral Eurozone countries (as of 31 December 2015, BST held approximately EUR 4.8 billion of Portuguese sovereign debt);
- have a significant adverse effect on the BST's capacity to raise and/or generate capital and comply with minimum regulatory capital requirements;
- significantly restrict the BST's ability to obtain liquidity; and
- negatively affect BST's capital position, its operational results and its financial condition.

The strengthening of the monitoring mechanisms and settlement of fundamental macroeconomic imbalances in the EU are unilateral and innovative, but stringent solutions for the regulatory and supervisory framework, but in the short term may constrain the economic environment, with negative consequences for banking activity

The heads of state and government of the EU agreed (not unanimously) at a summit on December 2011 to strengthen the governing mechanisms of the EU, through intergovernmental agreements, establishing, amongst other measures, the reinforcement of the early budget control mechanisms and submission of Member States to new budgetary rules. The new rules, which must be approved by each Member State, stipulates that the structural public deficit should converge to around 0.5 per cent. of GDP and a compulsory reduction of public debt below 60 per cent. of GDP at a rate of 1/20 of the rate per year (on average over three years). These are demanding objectives which mean, also in the case of Portugal, an extension of the period of tight budgetary discipline and the resulting effects of limiting the capacity of Portugal to stimulate economic growth by increasing expenditure or reducing the tax burden, with adverse consequences on BST's capacity to generate profit.

In addition, there is uncertainty around the ability of specific governments to maintain or strengthen government support to the financial systems of Member States, to ensure the solvency of various banks and to reorganise the structure of the banking sector in accordance with the constraints implied by the scarcity of regular funding, weakness of the balance sheet structure and prevalence of risks to asset quality (this was partly offset by the entry into force of Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014 (the "*BRRD*"), with the creation of a Bank Resolution Fund, from 2016 onwards). These conditions may have a material adverse effect on the assets price, credit risk of counterparties including sovereign States, pressure on the funding costs, changes in the market's competition structure and loans availability, which will generally affect the activity and results of Portuguese banks and in particular, BST. Therefore, the occurrence of any of these events could have a material adverse effect on BST's business activities, financial condition and results of operations.

BST is exposed to depreciation of real estate assets

Mortgage lending represented around 50.4 per cent. of BST's credit portfolio in 2015. Therefore BST is highly exposed to the Portuguese real estate market, both directly through assets related to its operations or obtained in lieu of payment, and indirectly through properties securing loans or through funding of real estate promotion projects. This context makes BST vulnerable to a depression in the Portuguese real estate market. Accordingly, significant changes in the economic conditions occurring in the real estate sector due to economic or political conditions beyond BST's control or significant devaluations of prices in the Portuguese real estate market may lead to an increase in non-performing loans and to a decrease in the value of the loan portfolio of the BST Group. That scenario would lead to impairment losses in the assets held directly by BST and lower recovery on mortgage loans and in the pension fund in case such mortgage loans need to be

enforced and the relevant properties sold to satisfy BST's credit entitlements. The occurrence of any of these events would have a material adverse effect on BST's business activities, financial condition and results of operations.

BST may be subject to an exception regime for the protection of mortgage lenders in serious economic failure

As a result of the current economic environment, non-performing loans have increased; the segment that experienced greater impact in this respect being residential mortgage loans.

In this context, legislation has been passed to facilitate the restructuring of mortgage loans, ensure a closer monitoring of potential default situations and implement measures aimed at avoiding immediate enforcement of mortgage loans. The implementation of any such legislative measures, and of any other regulatory or self-regulatory initiatives that may be passed in the future, could lead to limitations in the level of spreads and commissions charged, as well as to an increase in BST's credit impairments. Any exception regime that may be adopted, including the possibility that any such rules may require that, in some cases, financial institutions will be obliged to accept the repossession of assets as a way to settle clients' debts, could have a material adverse effect on BST's business activities, financial condition and results of operations.

The turbulence in the main financial markets, specifically the interbank and debt markets, could affect BST's liquidity position and its ability to increase loan volumes

Since the second half of 2007, the turbulence that has characterised global credit markets, together with the repricing of credit risk and deterioration of real estate markets, in particular in the United States, have contributed to a worsening of the conditions in the financial markets and have had a negative impact on investor confidence. This has negatively affected the interbank markets and debt issues in terms of volumes, maturities and loan spreads. Among the global credit markets, the sectors that have faced the greatest difficulties due to the current crisis are those related to sub-prime mortgage backed securities, asset backed securities, collateralised debt obligations, leveraged finance and complex structured securities. These conditions have resulted in historic volatility, little or no liquidity, widening of credit spreads and lack of price transparency in certain markets. These conditions have also resulted in the bankruptcy of a large number of financial institutions in the United States and Europe. It is difficult to predict how long these conditions will remain and how BST's investments and markets will be affected.

In particular, Portuguese banks have not yet regained full access to wholesale funding markets and continue to depend on funding received from the ECB, as the ratings for most of the institutions are still below investment grade. Following Portugal's exit from the Adjustment Programme without any need for additional assistance, market conditions have improved, both in terms of volumes and funding costs/spreads. Some banks have been able to issue senior unsecured bonds, but most of the funding consists of covered bonds, which have a lower funding cost than senior bonds. The Portuguese Republic has regained market access, even though three of the agencies (Fitch, Moody's and S&P) continue to attribute a rating to Portugal below investment grade. In 2015, the Portuguese Republic issued two new benchmark bonds (with 6 years and 10 years maturities), with improved demand and a more diversified investor base. In any case, increased pressure on the deleveraging effort and dependence on ECB funding is expected to occur if access to the markets remains difficult or becomes more difficult.

Although the Portuguese financial system has shown great resilience since the beginning of the economic and financial crisis, having ensured the normal funding of the economy during this period, the tensions associated to the sovereign debt crisis and to the limited access to international wholesale funding markets have exerted major restrictions on banking activity, forcing the institutions to resort to funding from the ECB and to trying to find funding from more stable domestic sources. In this context, the management of liquidity risk has gained increasing relevance.

Without prejudice to the liquidity risk management and mitigation policies implemented by BST, the deterioration of market circumstances and continuation of sovereign debt risk at high levels might adversely affect the BST Group's liquidity position, as a result of the reduction of the pool of assets eligible for discount operations with the ECB, higher funding costs and lower capacity to increase the loan and asset portfolio. These circumstances could be further aggravated by persistent volatility in the financial sector and capital markets, or due to solvency issues with one or more institutions, or even their default, which could lead to significant liquidity problems in the market in general, losses and defaults by other institutions.

Furthermore, it is not possible to predict which structural and/or regulatory changes might arise from current market circumstances or if such changes could have a negative impact on BST. If current market conditions deteriorate, especially if that happens for an extended period of time, this could lead to the reduction of credit availability, lower credit quality and increased default on debt, which could have a material adverse effect on BST's business activity, financial condition and results of operations.

The European Commision's resolutions regarding the framework for Banking Recovery and Resolution ("*Crisis Management Framework*") may restrict the BST Group's business operations and lead to an increase in its refinancing costs

The Crisis Management Framework contains three classes of measures: preparatory and preventive measures, prior supervision, intervention and instruments and powers of resolution. The implementation of these measures and the exercise of these powers will directly affect the rights of shareholders and creditors.

The cost of resolution may also lead to the establishment of national funds to support resolution funds. Banks subject to the Crisis Management Framework may be required to make ex ante contributions to such funds. The conditions applicable to such contributions are yet to be determined, but are likely to result in a cost for banks (including BST) which could be significant.

Credit institutions will be required to produce suitable recovery plans to resolve problems with liquidity, solvency, or overall exposure to risk, and to keep such plans up-to-date. To complement the resolution plans, the authorities may be given preventive powers, including the powers to limit or modify exposure to risk, require additional information, set restrictions or prohibitions on certain activities and changes to group structures.

Within the scope of preventive interventions, the authorities may be given powers to prohibit the distribution of dividends to shareholders or to holders of hybrid securities, to replace managers or directors, and to require credit institutions to transfer assets that constitute an excessive or undesirable risk to the soundness of the institution. These actions may have a direct effect on shareholders and the BST Group's expected returns and additional indirect impacts through changes to such institutions' business activities.

In relation to credit institutions that are in breach, the authorities' powers may include, among others, the right to enforce the transfer of assets, rights or liabilities to another entity, amortisation or cancellation of shares, debt write-off or conversion, replacement of management or demands for continuity of supply of essential services.

Such actions could have negative consequences on the BST Group's profitability, its financing costs and the implementation of its global strategy and cause a material adverse effect on BST's business activity, financial condition and results of operations.

Potential impact of resolution measures applied by the Bank of Portugal

Decree-law 31-A/2012, of 10 February 2012, introduced the legal framework for the adoption of resolution measures into the General Regime for Credit Institutions and Financial Companies (the "*Credit Institutions General Regime*", enacted by Decree-law 298/92, of 31 December 1992, as amended). Such resolution framework has been further amended, namely by Decree-law 114-A/2014, of 1 August 2014, Decree-law 114-B/2014, of 4 August 2014, and by Law 23-A/2015, of 26 March 2015 ("*Law 23-A/2015*").

The regime previously in force governing credit institutions was extensively reviewed and was replaced by a new approach by the Bank of Portugal as regards the intervention on credit institutions and investment firms in financial distress. The measures set out in the new regime aim at recovering or preparing the orderly winding-up of credit institutions and certain financial companies in situations of financial distress. The implementation of these measures and the exercise of these powers will directly affect the rights of shareholders and creditors.

Credit institutions will be required to produce suitable recovery plans to resolve problems with liquidity, solvency, or overall exposure to risk, and to keep such plans up-to-date. To complement the resolution plans, the Bank of Portugal has been given preventive powers, including the powers to limit or modify exposure to risk, require additional information, and to set restrictions or prohibitions on certain activities and changes to group structures.

Within the scope of preventive interventions, the Bank of Portugal has also been given powers to prohibit the distribution of dividends to shareholders, to replace managers or directors, and to require credit institutions to transfer assets that constitute an excessive or undesirable risk to the soundness of the institution.

These actions may have a direct effect on shareholders' interests and additional indirect impacts through changes to the institutions' business activities.

The resolution measures may be applied when a credit institution or an investment firm covered by the resolution regime does not meet, or is at serious risk of not meeting, the requirements for the maintenance of its licence, and when the implementation of such measures is considered imperative taking into account at least one of the following objectives:

- Ensuring the continuity of essential financial services;

- Preventing systemic risk;
- Safeguarding public funds and taxpayers' interests;
- Safeguarding depositors' confidence.

The BRRD was implemented in Portugal through Law 23-A/2015, which operated a complete transposition of the BRRD, putting in place the extension of powers granted to the Bank of Portugal, strengthened by the ability to have at its disposal enhanced means and evaluation criteria, in respect of both recovery plans and the resolution of credit institutions. Law 23-A/2015 includes the requirements for the application of said preventive measures, supervisory intervention and resolution tools to credit institutions and investment firms in Portugal.

The resolution measures include the total or partial sale of the assets and liabilities of the distressed financial institution to one or more financial institutions authorised to operate in the market, the asset separation tool, the bail-in tool and the transfer to a bridge bank of all or part of the activity of the intervened institution and, in such case, the newly incorporated bridge bank for such purpose shall be funded through the resolution fund.

The bail-in tool may be generally applied to all liabilities of an institution subject to resolution (including the Notes), subject to certain exceptions, which include secured credits.

Furthermore, credit institutions with their head office in Portugal, inter alia, shall be called to mandatorily participate with initial and periodic contributions to the resolution fund, which amount shall be fixed on an annual basis.

The resolution fund created pursuant to Decree-law 31-A/2012, of 10 February 2012, and the funding of such resolution fund depends upon contributions by the Portuguese banking sector, namely the authorised institutions operating therein, including BST. Part of the funding of the resolution fund has been temporarily financed by the Portuguese Government and will be recovered with future contributions towards the resolution fund by the Portuguese banking sector. At this stage there is no indication as to the amount that BST, or the rest of the banks within the Portuguese banking sector may be required to contribute to this effect and BST is unable to assess the amount of such required future contributions or the potential consequences on its business or operations, but any such contribution is likely to affect BST's business activity, financial condition and results of operations.

Following the decision to apply a resolution measure to Banco Espírito Santo, S.A. ("*BES*"), most of its business was transferred to a transition bank, called "Novo Banco, S.A." ("*Novo Banco*"), created especially for that purpose and capitalised by the resolution fund, as created by Decree-law 31-A/2012, of 10 February 2012, this is resourced from payments of contributions due by the institutions participating in the resolution fund and contributions from the Portuguese banking sector. The abovementioned Decree-law provides that if such resources are insufficient for fulfilment of its obligations then other financing means can be used, such as special contributions from credit institutions or loans granted.

In the specific case of the resolution measure relating to BES, the resolution fund provided EUR 4.9 billion to pay up the share capital of Novo Banco. Of this amount, EUR 300 million corresponded to the resolution fund's own financial resources, resulting from the contributions already paid by the participating institutions and from contributions of the banking sector, EUR 3.9 billion corresponded to a loan granted by the Portuguese State to the Portuguese resolution fund which will subsequently be repaid and remunerated by the resolution fund and EUR 700 million corresponds to a banking syndicated loan made to the resolution fund, with the contribution of each credit institution depending on various factors, including their size. As of 31 December 2015, BST's share of that loan was EUR 116.2 million, which corresponds to 16.6 per cent. of said loan.

The periodic contributions to the Resolution Fund are determined by the application of a contributive rate to the end of month outstanding balance of liabilities, deducted by own funds and deposits already included in the Deposit Guarantee Fund, as set by the Bank of Portugal by regulatory instruction. For 2016, pursuant to the Instruction 19/2015 issued by the Bank of Portugal, the rate has been set up at 0.02 per cent.

According to the legal framework in force, after the sale of Novo Banco's equity to a privately-owned shareholder, the proceeds from that sale are expected to be primarily allocated to repaying the resolution fund for all the amounts provided for the establishment and development of Novo Banco's business, including a remuneration corresponding to the financing costs borne by the resolution fund, plus a share to cover the administrative and operational costs of such support.

The amount received by the resolution fund from the sale of Novo Banco's equity will necessarily be used to repay the loans obtained. It has been stipulated by contract that the Resolution Fund may only repay other liabilities after the loan from the Portuguese State has been fully repaid and remunerated.

In the event that the proceeds from the sale of Novo Banco exceed the sum of the amounts provided by the resolution fund, the respective surplus will revert to BES, or to its insolvent estate, if in the meantime BES's authorisation has been revoked. In the event that the proceeds from the sale of Novo Banco's equity are insufficient to repay the loans, the resolution fund will use its own receipts to finance the possible shortage. As previously mentioned, these receipts are obtained from annual regular contributions to the resolution fund (including the contribution from the Portuguese banking sector) and any special contributions. The definition of the financing structure of a possible shortage (in terms of type of contribution, its distribution in time, and any recourse to temporary loans) will critically depend on the amount of such hypothetical shortage. Although it is expected that the financing will be structured in such a manner as not to jeopardise the solvency of any bank and to preserve financial stability in the Portuguese economy, at this stage it is not possible to ascertain if said proceeds will be sufficient or not, and, in case these are not sufficient, the specific impact and amount of any special contribution from the Portuguese banking sector, including BST, is also uncertain.

In January 2013, the recapitalisation of Banif – Banco Internacional do Funchal, S.A. ("*Banif*") started with an injection by the Portuguese State of EUR 1,100 million (EUR 700 million under the form of special shares and EUR 400 million under the form of hybrid instruments). Banif's recapitalisation plan also included a capital increase by private investors in the amount of EUR 450 million, which was concluded in June 2014. Since then, Banif reimbursed the Portuguese State of EUR 275 million of hybrid instruments, but was not able to reimburse a EUR 125 million tranche in December 2014.

Banif's sale process was initiated in 2015. However on 19 December 2015 the Portuguese Ministry of Finance informed the Bank of Portugal that the voluntary sale process was not feasible and thus the sale would have to be made in the context of a resolution procedure.

On 20 December 2015, the Bank of Portugal applied a resolution measure to Banif, which notably resulted in the acquisition by BST of a set of rights and obligations, comprised of assets, liabilities, off balance sheet items and assets under the management of Banif, as listed in the resolution passed by the Bank of Portugal in that respect. This operation involved an estimated public support of EUR 2,255 million to cover future contingencies, of which EUR 489 million are supported by the Resolution Fund and EUR 1,766 million directly by the Portuguese State, as a result of the definition of the assets, liabilities, off balance sheet items and assets under the management of Banif perimeter agreed by and between the Portuguese and European authorities and BST to be sold in this context.

Banif was sold to BST for the amount of EUR 150 million. Accordingly, the overall activity of Banif was transferred to BST, except the assets transferred to an asset management vehicle (previously Naviget, S.A., and later renamed Oitante, S.A.) set up in the context of the application by the Bank of Portugal of the aforementioned resolution measure.

Given the acquisition of the referred activity of Banif, some of the financial information disclosed in this Base Prospectus does not include the effects of said acquisition of Banif, since it only occurred on 20 December 2015. Such financial information is unaudited and has been extracted from BST's 2015 annual report.

As referred in this risk factor, the Resolution Fund is ultimately financed by the banking system, and thus the outcome of any disposals to be made by or on behalf of the Resolution Fund will ultimately be borne by the institutions which are required to fund the Resolution Fund, including BST. No details can yet be anticipated on the potential impact which the resolution of Banif and/or the resolution of BES, as described above, may have on BST.

The EU has adopted a deposit guarantee scheme directive which is applicable throughout the EU that may result in additional costs to the BST Group

On 3 July 2014, Directive 2014/49/EU providing for the establishment of deposit guarantee schemes (the "**recast DGSD**") entered into force. The recast DGSD introduces harmonised funding requirements (including risk-based levies), protection for certain types of temporary high balances, a reduction in payout deadlines, harmonisation of eligibility categories (including an extension of scope to cover deposits by most companies regardless of size) and new disclosure requirements. Although the recast DGSD was scheduled to be implemented into the national law of Member States by July 2015 (in Portugal it was implemented by Law 23-A/2015, of 26 March 2015, as amended), there is scope to delay implementation in respect of certain requirements.

As a result of these developments, the BST Group may incur additional costs and liabilities which may adversely affect the BST Group's operating results, financial condition and prospects. The additional indirect costs of the deposit guarantee systems may also be significant, even if they are much lower than the direct contributions to the fund, as in the case of the costs associated with the provision of detailed information to clients about products, as well as compliance with specific regulations on advertising for deposits or other

products similar to deposits, thus affecting the activity of the relevant banks and consequently their business activities, financial condition and results of operations.

Although BST believes that it is in a position to continue to compete in the Portuguese banking market, there is no assurance that it will be able to compete effectively in the banking markets in which it operates, or that it will be able to maintain or increase the level of its results of operations

In addition to competition stemming from the usage of the euro, competition has increased further with the emergence of non-traditional distribution channels, such as internet and telephone banking.

The BST Group faces intense competition in all of its areas of operation (including, among others, banking, leasing, insurance, investment banking, specialised credit and asset management). The competitors of the BST Group in the Portuguese markets are Portuguese commercial banks, savings and investment banks and foreign banks, many of which have recently entered the Portuguese market. The principal competitors of the BST Group in the banking sector (ranking in terms of assets as of 31 December 2015) are Caixa Geral de Depósitos, the Millennium BCP group, the Novo Banco group and the BPI group.

Over the last few years, mergers and acquisitions involving the largest Portuguese banks have resulted in a significant concentration of market share, a process that may continue.

Although BST believes that it is in a strong position to continue to compete in the Portuguese market, there is no assurance that it will be able to compete effectively in the markets in which it operates. Failure by BST to compete effectively will have a material adverse impact on BST's business activity, financial condition and results of operations.

Additionally, the business, results and financial condition of BST have been and will continue to be affected by the current crisis in the global financial markets and the global economic outlook. The results and financial condition of BST have been, and its respective future results and financial condition are likely to continue to be, affected by depressed asset valuations resulting from poor market conditions. The actual or perceived failure or worsening credit of other financial institutions and counterparties could adversely affect BST.

BST could be adversely affected by regulatory changes or other political developments in Portugal, the EU or those foreign countries in which it operates

BST operates in a highly regulated industry and, accordingly, BST could be adversely affected by regulatory changes in Portugal, the EU or those foreign countries in which it operates, or by other political developments in or affecting Portugal, the EU or such foreign countries. Although BST works closely with its regulators and continually monitors the situation, future changes in regulation, taxation or other policies can be unpredictable and are beyond the control of BST.

The banking activities of the BST Group are subject to extensive regulation by the ECB, the EBA and the Bank of Portugal, mainly relating to liquidity levels, solvency and provisioning.

The minimum cash requirement applicable to Portuguese banks is currently fixed on a general basis at 1 per cent. of the total amount of deposits, although certain situations are exempt from such requirement in accordance with Regulation (EC) No. 1745/2003 of the ECB, as amended. An increase in the minimum cash reserves or a decline in the rate accrued on those cash reserves would have an adverse impact on the net income of the BST Group.

Portuguese banks were required to maintain a core tier 1 solvency ratio, in accordance with Regulatory Notice (Aviso) 3/2011 of the Bank of Portugal, as amended, of at least 10 per cent. by 31 December 2012. Generally, the solvency ratio is defined as Tier I Capital plus Tier II Capital divided by risk-weighted assets. The solvency ratio of the BST Group complies with the Bank of Portugal rules and is in accordance with the Basel II regulatory framework and the application of:

- the internal notations method (advanced by IRB) for calculating the capital requirements for credit risk in relation to a substantial part of the relevant loan portfolio;
- the IRB approach for calculating market risk of most derivatives and the standardised approach for some exposures in the trading book and derivatives; and
- the basic indicator method for calculating the capital requirements in relation to operational risk.

On 22 July 2013, EBA issued a new Recommendation on capital preservation, revoking the 2011 Recommendations. Accordingly, banks shall keep a capital amount (in Euros) necessary to comply with the capital requirements as set out in the previous Recommendation at 30 June 2012. The possibility to maintain a lower capital level is also taken into account, provided that a 7.0 per cent. Common Equity Tier 1 ratio is fulfilled according to the Directive 2013/36/EU, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and

repealing Directives 2006/48/EC and 2006/49/EC ("*Directive 2013/36/EU*" or "*CRD IV*") fully implemented rules.

On 23 October 2013, the ECB announced the details vis-à-vis the complete assessment to be done as prelude to its upcoming supervision responsibilities within the single supervisory mechanism. The assessment began in November 2013 and lasted for 12 months. The reference ratio value for such assessment was 8 per cent. Common Equity Tier 1, according to the Directive 2013/36/EU definitions taking into account transitional arrangements.

As of 31 December 2015, BST had a Tier I Capital and Core Capital of 15 per cent. and 13.9 per cent. respectively, which compares with 15.3 per cent. and 13 per cent. respectively in the equivalent period of 2014.

Following the recommendations issued by the Basel Committee on Banking Supervision regarding the amendments to the then applicable rules on the calculation of capital requirements for international banks (known as Basel II), a new set of recommendations usually known as Basel III was finalised on 1 June 2011. This includes some amendments to the capital ratios as well as the inclusion of leverage and liquidity ratios.

The implementation of Basel III in the EU has led to the approval of the package comprised by Directive no. 2013/36/EU , which was implemented in Portugal by means of Decree-law 157/2014, of 24 October 2014, and Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012 ("*Regulation (EU) 575/2013*" and together with the CRD IV, "*CRD IV/CRR*"), in place since 1 January 2014 and implied a reinforcement of the capital requirements of the banks and changes to the definition of regulatory capital, and together established the Basel III regulatory framework in the Portuguese jurisdiction. These measures and any additional new measures in this context may have a significant impact in the BST's capital and in its assets and liabilities management.

By 31 December 2013, EU Member States were required to adopt and publish the laws, regulations and administrative provisions necessary to comply with Directive 2013/36/EU.

Directive 2013/36/EU includes general rules and supervision powers, wages, governance and disclosure requirements, as well as an introduction of 5 additional capital buffers:

- a capital conservation buffer of 2.5 per cent. of risk-weight assets;
- countercyclical capital buffer rate between 0 and 2.5 per cent. of Core Tier 1 assets, pursuant to the conditions to be established by the competent authorities; and
- systemic risk buffer: i) applicable to the institutions with a global systemic importance: between 1 and 3.5 per cent.; ii) applicable to other institutions with a systemic importance: between 0 and 2 per cent.; and iii) macroprudential systemic risk: between 1 and 3 per cent. or between 3 and 5 per cent., depending on the economical conjecture.

These buffers, apart from the macroprudential systemic risk, shall apply gradually from 2016, although Member States may anticipate their application.

The Bank of Portugal, in the exercise of its powers as national macro-prudential authority, has decided to set the countercyclical buffer rate at 0 per cent. of the total risk exposure amount, with effect from 1 January 2016 and to prevail in the first quarter of the year. This buffer applies to all credit exposures to the domestic private non-financial sector of credit institutions and investments firms in Portugal subject to the supervision of Bank of Portugal or the European Central Bank (Single Supervisory Mechanism), as applicable. The Bank of Portugal will review this decision on a quarterly basis.

Also in accordance with article 145-Y of the Credit Institutions General Regime, financial institutions will be required to meet a minimum requirement for own funds and eligible liabilities (known as MREL) capable of being bailed in. The requirement is foreseen to be equal to a percentage of total of liabilities and own fund of the financial institution. The Bank of Portugal, in the exercise of its powers as national macro-prudential authority and having duly notified the European Central Bank under Article 5 of Council Regulation (EU) No 1024/2013, of 15 October 2013, which did not object to the present decision, and after having also consulted the National Council of Financial Supervisors, under Article 2(3)(c) of Decree-Law No 143/2013, of 18 October 2013, has decided to impose capital buffers to credit institutions identified as systemically important institutions ("*O-SIIs*"). For that purpose, as set out in the legal and regulatory provisions, the Bank of Portugal published on 29 December 2015 a table with the names of the banking groups identified as O-SIIs with respect to 2015 and the respective capital buffers, as a percentage of the total risk exposure amount. These buffers shall consist of Common Equity Tier 1 capital on a consolidated basis and shall be applicable from 1 January 2017 onwards. In the case of the Issuer, the buffer applicable to the holding company (Santander

Totta, SGPS, S.A.) is 0.50 per cent. Simultaneously, the Bank of Portugal also published a more detailed document on the methodology for identification and calibration of the O-SIIs buffer.

In order to comply with this ratio, BST Group may be requested in the future to issue additional liabilities subject to bail in provisions.

Considering the minimum capital levels already defined on both the Regulation (EU) 575/2013 and in the alluded Decree-law that implemented Directive 2013/36/EU, banks shall comply with:

- a minimum Common Equity Tier 1 ratio of 7 per cent. (4.5 per cent. base value and an additional 2.5 per cent. of capital conservation buffer);
- a minimum Tier 1 ratio of 8.5 per cent. (6 per cent. base value and an additional 2.5 per cent. capital conservation buffer); and
- a total ratio of 10.5 per cent. (8.0 per cent. base value and an additional 2.5 per cent. capital conservation buffer).

A five year transitory period was projected in order to adapt the previous applicable rules to the new regulations.

Regulatory notice (Aviso) 6/2013 issued by the Bank of Portugal regulates the transition provided in Regulation (EU) 575/2013 and has determined a minimum Common Equity Tier 1 ratio of 7.0 per cent. calculated with transitional arrangements and to be complied from 1 January 2014 onwards.

In accordance with Law 63-A/2008, of 24 November 2008, as amended, as referring to the reinforcement of financial stability of credit institutions, namely to capitalisation measures through public investment – the Portuguese Government may, by ministerial order, define the level of own funds of credit institutions in such a capitalisation context.

In addition, the Bank of Portugal has established minimum provisioning requirements regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Therefore, the described measures and requirements, as well as any change in these requirements or measures or any additional new measures and/or requirements could have a material adverse effect on the results of operations of the BST Group.

BST's short term liabilities to its customers may exceed its highly liquid assets

BST's primary source of funds has traditionally been its retail deposit base (savings, current and term deposits). From 2003 to 2006, in a context of low interest rates, client resources were channelled away from traditional on-balance sheet products, such as term deposits, into off-balance resources, such as mutual funds and financial capitalisation insurance products, which had higher expected returns, but also a higher risk profile (although with principal protection at redemption). This change in risk profile was also encouraged by BST itself, as such products were a good source of fees and commissions.

In late 2010 and early 2011, due to the uncertainty brought by the global crisis there was a shift back to safer products such as deposits. The lack of other financing sources caused by the liquidity restrictions faced by Portuguese banks in international money markets has also led BST (as well as the other Portuguese banks) to increase the interest rates paid on deposits thus reinforcing the attractiveness of these products. The need to deleverage has also prompted BST to pursue active policies to bring its off-balance sheet resources back into the balance sheet further increasing its deposits base (leverage is measured through the loans to deposits ratio).

BST's other funding sources include medium and long-term bond issues, commercial paper and medium-term structured products. In addition, BST has originated receivables for some securitisation transactions that are still in place. BST has also borrowed money in the money markets and, until recently, has increased its own funds through the issue of subordinated bonds. Since 2010, however, when the sovereign debt crisis in Europe worsened, resulting in Greece and other countries requesting financial support from the EC/IMF/ECB, Portuguese banks, including BST, have increased their funding with the ECB, given the tighter conditions in accessing the wholesale markets. As at 31 December 2015, BST had a net exposure to ECB funding of around EUR 2.1 billion (as at 31 December 2014 the corresponding value was below EUR 3.8 billion).

BST complies in full with the Bank of Portugal's regulations in respect of liquidity and its liabilities to its customers as at 31 December 2015 (including mutual funds) were EUR 31.9 billion, thus lower than net loans (including guarantees) which amounted to EUR 35.6 billion, as at the same date. This trend may however revert with the predictable further rise in deposits and fall in new loans granted inherent to the deleveraging process.

Since BST relies on the aforementioned sources for funding, there is no assurance that, in the event of a sudden or unexpected shortage of funds in the market in which BST operates, BST will be able to maintain its levels of funding without incurring higher funding costs or the liquidation of certain assets. Additionally, as BST is impacted by any changes that may occur in the requirements set by the ECB in its refinancing operations, if BST is unable to borrow sufficient funds to meet its obligations to its customers and other investors, BST's business activities, financial condition and results of operations will be materially adversely affected.

Risks concerning borrower credit quality and general economic conditions are inherent in BST's business

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of BST's businesses. Adverse changes in the credit quality of BST's borrowers and counterparties or a general deterioration in Portuguese economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of BST's assets and require an increase in BST's level of provisions for credit losses. This has been the trend in recent years with impairment and other provisions of EUR 236.2 million in 2015 (EUR 192.5 million in 2014). Deterioration in the economy could reduce the profit margins for BST's banking and financial services businesses (net interest income amounted to EUR 560 million in 2015, compared to EUR 543.5 million in 2014) which in turn could have a material adverse effect on the business activities, financial condition and results of operations of BST.

The financial problems faced by BST's customers could adversely affect BST

Market turmoil and economic recession could materially adversely affect the liquidity, businesses and/or financial conditions of BST's customers, which could in turn further increase BST's non-performing loan ratios, impair BST's loan and other financial assets and result in decreased demand for borrowings in general. In a context of continued market turmoil, economic recession and increasing unemployment coupled with declining consumer spending, the value of assets collateralising BST's secured loans, including homes and other real estate, could decline, which could result in impairment of the value of BST's loan assets. Any of the conditions described above could have a material adverse effect on BST's business activities, financial condition and results of operations.

BST may generate lower revenues from commissions and fee-based businesses

Market downturns are likely to lead to declines in the volume of transactions that BST executes for its customers and, therefore, to declines in BST's non-interest revenues. In addition, because the fees that BST charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of BST clients' portfolios or increases the amount of withdrawals would reduce the revenues BST receives from its asset management and private banking and custody businesses and have a material adverse effect on BST's business activities, financial condition and results of operations.

Risks associated with the implementation by BST of its risk management policies

BST is exposed to a number of risks, including, among others, market risk, credit risk, liquidity risk and operational risk. Although BST has implemented risk management policies for each of the risks that it is exposed to, taking into account worst case scenarios, the policies and procedures it employs to identify, monitor and manage these risks may not be fully effective. The occurrence of any of the above risks may have a material adverse effect on BST business activities, financial condition and results of operations.

BST's activity is subject to credit risk

BST is exposed to the risk that its customers and counterparties are not able to meet their commitments as and when the same fall due. If the value of the collateral securing BST's loan portfolio declines, BST will be exposed to a higher credit risk and increased risk of non-recovery in the event that any loans fail to perform. BST cannot guarantee that it would be able to realise adequate proceeds from collateral disposals to cover loan losses.

Despite the adverse economic environment, in recent years there has not been a deterioration of the creditworthiness of BST's customers. However, if the economic growth prospects continue to be poor, if unemployment increases or if interest rates increase sharply, this may result in a deterioration of the customers' ability to meet their obligations as and when the same fall due.

In 2015, overdue loans (defined as those in default for more than 90 days) represented 4.1 per cent. of the total credit portfolio and the overdue loans coverage ratio stood at 168.9 per cent. BST cannot assure potential investors that its level of provisions and other reserves will be adequate or that BST will not have to

take additional provisions for possible impairment losses in future periods. Amongst other aspects, failure by BST to have an adequate level of provisions and other reserves or BST's need to take additional provisions for possible impairment losses in future periods may have a material adverse effect on BST's business activities, financial condition and results of operations.

BST's activity is subject to market risk

The most significant market risks BST faces include interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin which is the difference between lending and borrowing costs. Changes in exchange rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of BST's investment and trading portfolios. BST has implemented risk management methods to mitigate and control these and other market risks to which BST is exposed and exposures are constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on BST's business activity, financial condition and on the results of its operations.

BST currently engages in various treasury activities for its own account, including placing euro and foreign currency-denominated deposits in the inter-bank market and trading in the primary and secondary markets for government securities. Proprietary trading includes taking positions in the fixed income and equity markets using cash, derivative products and financial instruments. Although BST's level of engagement in such activities is limited, proprietary trading involves a degree of risk. Future proprietary trading results will in part depend on market conditions and any losses experienced by BST could adversely affect its business activities, financial condition and results of operations.

BST's operations and results are dependent on the soundness of other financial institutions

BST is exposed to many different counterparties in the normal course of its business; hence its exposure to counterparties in the financial services industry is significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks, investment banks and mutuals. Many of these relationships expose BST to credit risk in the event of default of a counterparty or client. In addition, BST's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover, which could in turn affect BST's ability to meet its payments under the Notes. Many of the hedging and other risk management strategies utilised by BST also involve transactions with financial services counterparties. It is difficult to predict to which extent a downgrade in such counterparties' financial condition may affect BST's hedging and other risk management strategies. The occurrence of any of the above events could materially adversely affect BST's business activities, financial condition and results of operations.

BST's activity is subject to counterparty risk

BST's business operations involve the entering into contractual arrangements with customers, suppliers, financing partners, and trading counterparts which expose the BST to counterparty risks. These risks are notably present in contracts carried out in financial markets either organised or over the counter ("*OTC*") and derive from the possibility of non-performance by the counterparties under the contracted terms and subsequent occurrence of financial losses for the institution.

The control of such risks by the BST is carried out through an integrated system that allows for the recording of the approved limits and provides information on their availability for different products and maturities. The same system also allows the control of risk concentration for certain groups of customers or counterparties. Any failure by the BST to control such risk or mitigate the impact thereof could materially adversely affect the BST's business activities, financial condition and results of operations.

BST's activity is subject to operational risk

In the ordinary course of BST's business and as a result of BST's organisational structure, BST is subject to certain operational risks, including interruption of service, errors, fraud, omissions, delays in providing services and risk management requirements. BST continually monitors these risks by means of, among other things, advanced administrative and information systems and insurance coverage in respect of certain operational risks. Any failure to execute BST's risk management and control policies successfully could materially adversely affect BST's business activities, financial condition and results of operations.

BST's activity is subject to technological risk

BST's consolidated operations are highly dependent on computerised record-keeping, financial reporting and other systems, including point of sale monitoring and internal accounting systems, particularly following the centralisation of BST's information technology systems.

Although BST's computer systems have been evaluated and BST believes its back-up facilities to be adequate, BST cannot assure potential investors that it will be able to identify and correct problems related to its information technology systems, or that it will be able to implement technological improvements successfully. Amongst others, any failure by BST to identify and correct problems related to its information technology systems could materially adversely affect BST's business activities, financial condition and results of operations.

BST's activity is subject to reputational risk

BST is exposed to reputational risk understood as the probability of occurrence of negative impacts for BST resulting from an unfavourable perception of its public image, whether proven or not, from customers, suppliers, analysts, employees, investors, media and any other bodies with which BST may be related, or even by public opinion in general.

BST continually monitors this risk by means of, among other things, policies that govern the devices and procedures that allow BST: (i) to minimise the probability that reputational risk to occur; (ii) to identify, report to the Board of Directors of BST and overcome situations that may involve this risk; (iii) to ensure follow up and control of any impacts of this risk; and (iv) to provide evidence, if necessary, that BST has reputation risk amongst its main concerns and has available the organisation and means required to foresee acts and facts that may lead to this risk and, should it be the case, the ability to overcome it. In any event, the BST cannot assure potential investors that it will be able to foresee and mitigate the impacts of this risk if the same occurs and should that be the case any failure to execute the BST's reputational risk policies successfully could materially adversely affect the BST's business activities, financial condition and results of operations.

The auditors' reports scheduled to the audited consolidated financial statements of BST in respect of the financial years ended 31 December 2014 and 31 December 2015 contain emphases

The auditors' reports scheduled to the audited consolidated financial statements of BST in respect of the financial years ended 31 December 2014 and 31 December 2015 contain the following emphases:

Financial year ended 31 December 2014

"*As explained in detail in Note 50 of the Notes to the consolidated financial statements, there are a set of legal actions placed in 2013 by BST in English courts pending decision, involving some Portuguese state owned enterprises of the transportation sector, regarding the validity and binding force of some interest rate swap agreements established between those parties in previous years. Additionally, during 2014, a new set of legal actions regarding the validity and binding force of certain interest rate swap agreements signed in previous years were brought in the Portuguese Courts against BST by entities comprised in the Regional Government of Madeira Island. At December 31, 2014, the positive fair value of those swaps and the interest which payment is suspended, as well as the net interest paid in the past by those enterprises that now are being subject to a refund request are presented in the above referred Note. As mentioned in Note 50, it is the Board of Directors of the Bank belief, supported by the opinion of its English and Portuguese legal attorneys, that the outcome of those legal actions will be favourable to it. Consequently, no provisions were recorded in the accompanying consolidated financial statements for these situations*."

Financial year ended 31 December 2015

"*As explained in more detail in Note 50 of the Notes to the consolidated financial statements, in 2013 the Bank requested in the competent court, the High Court of Justice - Commercial Court of London, the statement of validity and binding force of some interest rate swap agreements established in previous years with Portuguese State-owned enterprises of the transportation sector. In March 2016, the approved judgement of this court was known and the decision was in favour of the Bank's claims, declaring the validity and binding force of the interest rate swap agreements and sentencing the referred companies to pay the sums overdue. This process is currently in the appeal phase, upon request of the Portuguese State-owned enterprises. Additionally, during 2014, some entities comprised in the Regional Government of Madeira Island brought into the Portuguese Courts five legal actions against the Bank, regarding the validity and binding force of certain interest rate swap agreements signed in previous years with the Bank. Up to this date, all court decisions in these legal actions have been in favour of the Bank, including second and third decisions, and one of these legal actions is already concluded in favour of the Bank. At December 31, 2015, the positive fair value of those swaps and the sums which payment is suspended, as well as the net amounts paid in the past by those enterprises that were being subject to a refund request which was denied in the*

approved judgement of the Commercial Court of London, are presented in the above referred Note. It is the Bank's Board of Directors belief, supported by the opinion of its English and Portuguese legal attorneys, by the approved judgement of the Commercial Court of London and the decisions to date of the Portuguese Courts, that the outcome of those legal actions will be favorable to it and consequently no provisions were recorded in the accompanying consolidated financial statements."

As referred above, from the end of the first quarter of 2013, a movement with public projection arose in Portugal following which the validity of some interest rate swap agreements established between some financial institutions, including BST and several Portuguese state owned enterprises, namely in the railway and road transportation sectors, has been challenged. These agreements were signed before the beginning of the recent financial crisis in 2008 and represent high charges to those enterprises. Among those agreements, some established with BST were challenged, whose positive fair value at 31 December 2015 and 2014 amounted to approximately EUR 1.23 billion and EUR 1.32 billion respectively, which is reflected in the balance sheet under the caption "Financial assets held for trading " (Note 7) included in the audited consolidated financial statements of the BST in respect of the financial years ended 31 December 2015 and 2014 and which is incorporated in and forms part of this Base Prospectus. These agreements were carried out without incidents until September 2013.

In response to the movement referred to above, in its conviction of the regularity and binding force of the agreements with the Portuguese state owned enterprises, BST requested a legal statement regarding their validity, in order to eliminate any doubts about their validity and binding force. This initiative took place during the second quarter of 2013 in the English courts, in accordance with the terms of the respective agreements.

In September 2013, after the submission of the legal actions referred to above, the Portuguese state owned enterprises informed BST that they would suspend, from that date, the payment of the net sums associated with those swap agreements until the on-going actions were decided.

As at 31 December 2015 and 2014, the balance sheet caption "Other assets - Other" included approximately EUR 311 million and EUR 163 million, respectively, relating to sums not paid (Note 17).

In November 2013, the Portuguese state owned enterprises presented to the English courts their response to the legal actions and requested the nullity of the agreements and the refund of the net flows of interest paid in the past, which amounted to approximately EUR 134 million.

On 14 February 2014, BST presented to the English courts its reply and on 4 April 2014 the defence presented its counter arguments. On 16 May 2014, the preliminary hearing was held, and the hearings took place between October and November 2015, with final arguments in December 2015.

Additionally, during the first half of 2014, five legal actions regarding the validity and binding force of certain interest rate swap agreements were raised against BST in the Portuguese Courts by some public sector entities of the Regional Government of Madeira Island, which have also suspended the payment of the net sums associated with those swap contracts. On 31 December 2015 and 2014, the positive fair value of those swaps amounted to EUR 87 million and 100 million respectively, and was recorded under the caption "Financial assets held for trading" (Note 7). On 31 December 2015 and 2014, the balance sheet caption "Other assets - Other" included approximately EUR 31 million and 15 million respectively, related to the sums which payment is suspended (Note 17). In addition, the above referred entities are also asking for the refund of the net sums paid by them in the past, which, as of 31 December 2015 and 2014, amounted to EUR 20 million. As of the date of this Base Prospectus, BST presented its response to those legal actions and, up to this date, all court decisions in those legal actions have been in favour of BST and one of these legal actions is already concluded in favour of BST. In some of these legal actions, the Supreme Court confirmed the decisions of lower courts that declared themselves incompetent to adjudicate the actions, accepting the arguments of BST and considering that the matters raised in those actions are under the jurisdiction of the English courts. In another legal action, the Supreme Court raised a question to the Court of Justice of the European Union on the applicability of Regulation no. 44/2001 in relation to the jurisdiction pact to be sufficient. This question suspended the appeal of the Supreme Court on 4 February 2016.

During 2014, two new legal actions were raised against BST by two Portuguese state owned enterprises, Metropolitano de Lisboa, E.P.E. and Metro do Porto, S.A., involving a total amount of approximately EUR 350 million. These legal actions are focused in the cancellation of some swap agreements established between BST and those two state owned enterprises, which are already being judged by the English courts since the second quarter of 2013, as described herein.

Furthermore, at 31 December 2015 and 2014, another set of legal actions were raised against BST by its customers relating to swap agreements. In the majority of these legal actions the customers have requested the cancelation of the swap agreements established with BST, as well as the reimbursement of the net

amount of interest paid by them in the past. The amounts involved in these legal actions at 31 December 2015 and 2014 correspond to a total amount of EUR 23,407 and 32,395 million, respectively.

BST was notified on 4 March of 2016 of the ruling of the High Court of Justice of London on the legal actions submitted by the Issuer against the following Portuguese state owned enterprises - Metropolitano de Lisboa, E.P.E., Companhia de Carris de Ferro de Lisboa, S.A., Metro do Porto, S.A., and Sociedade de Transportes Colectivos do Porto, S.A.

These legal actions were initially submitted by BST in order to confirm the validity of nine swap agreements entered into between 2005 and 2007 by BST and such Portuguese state owned enterprises that, from September 2013 onwards suspended the payment of the sums due on such swap agreements. In particular, BST requested to the English court a legal statement regarding i) the validity and binding force of such agreements and ii) given the suspension of payments mentioned above, the conviction of such Portuguese state owned enterprises to pay the sums overdue associated to such agreements, which on 1 October 2015 amounted to EUR 272.561.157.

The High Court of Justice of London declared all nine agreements valid and binding and thus, confirming the Issuer's understanding in respect of such agreements. Currently, these legal actions are in the appeal phase, upon request of the Portuguese state owned enterprises.

Despite BST's understanding described above, an adverse outcome in the outstanding legal actions could affect BST's financial condition and results of operations, considering the amounts referred to above.

The auditors' reports scheduled to the audited consolidated financial statements of BST in respect of the financial year ended 31 December 2015 contain the following emphasis:

"*The result in the acquisition of a significant part of the business of Banif – Banco Internacional do Funchal, S.A. (Banif) as of December 20, 2015 was determined based on the fair value estimate of the assets acquired and liabilities assumed or in accordance with the International Financial Reporting Standards applicable to some assets and liabilities for which fair value is not the measurement principle according to IFRS 3 – Business Combinations (Note 1.4). Its determination considered the information available up to the approval date of the financial statements of December 31, 2015 by the Bank's Board of Directors, and is provisional for some assets and liabilities. To this respect, the following aspects should be referred: (i) the perimeter of the transaction, namely the rights and obligations that comprise the assets, liabilities, off balance sheet items and assets under management sold to the Bank is not fully confirmed yet by the Bank of Portugal; (ii) the Bank did not recognise deferred tax assets, in the amount of 273 million Euros, that are part of the perimeter included in the last draft balance sheet presented by the Bank of Portugal at March 18, 2016 and which deduction to future profits of the Bank is included in the definitive offer of the Bank accepted in connection with the resolution measure of Banif, namely, for not having the approval of the Minister of Finance as required by article 145º AU of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras"); (iii) for some financial assets and liabilities there is still more information needed related to their estimated future cash flows to determine their fair value as of the acquisition date; and (iv) there are contingencies for which final quantification requires obtaining additional information over past events. According to IFRS 3, the Bank has a maximum period of one year from the acquisition date to obtain the pending information and if needed, to correct retrospectively the value of the assets acquired and liabilities assumed and consequently, the result determined in the acquisition.*"

Risks relating to the rules governing the formation of impairments and provisions

The Bank of Portugal has established minimum provisioning requirements that applies to the individual accounts regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Any change in the applicable requirements could have a material adverse effect on the results of operations of BST. For instance, it is under discussion the introduction of the concept of "provisions for expected losses" replacing the current concept of "incurred losses" pursuant to IAS 39, which could lead to a negative impact on BST's business activities, financial condition or results of operations.

Other factors that may affect an Issuer's ability to fulfil its obligations under the Notes

Volatility in interest rates may negatively affect BST's net interest income, increase its non-performing loans and affect each Issuer's ability to fulfil its obligations under the Notes

BST's results of operations are dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond BST's control, including deregulation of the

financial sector, monetary policies, domestic and international economic and political conditions among other factors.

Changes in market interest rates may affect the interest rates charged on the interest-earning assets differently from the interest rates paid on interest-bearing liabilities

Increases in market interest rates could result in an increase in interest costs relative to interest income and a reduction in BST's net interest income which may affect each Issuer's ability to fulfil its obligations under the Notes. Also, a significant level of volatility in interest rates could lead to an increase in non-performing loans. Interest rates are highly sensitive to many factors beyond the Issuers' control, including deregulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

Foreign exchange rate fluctuations may negatively affect BST's earnings and the value of its assets

In the ordinary course of its business, BST has a small percentage of its assets and liabilities denominated in currencies other than the euro. Fluctuations in the value of the euro against other currencies may positively or adversely affect BST's profitability. The value of the euro against the U.S. dollar may affect earnings from BST's international operations. These foreign exchange fluctuations may affect each Issuer's ability to fulfil its obligations under the Notes.

Since Totta Ireland's main business is the holding and trading of fixed and variable interest rate securities, volatility in interest rates may negatively affect Totta Ireland's net income and its performance

Totta Ireland's financial fixed assets are unquoted bonds issued by fellow group companies, which carry a variable rate of interest sensitive to many factors beyond Totta Ireland's control, including deregulation of the financial sector, monetary policies, domestic and international economic and political conditions.

Totta Ireland is dependent on the financial assistance of BST and the other members of the BST Group to satisfy its obligations under the Notes

Totta Ireland is a wholly-owned subsidiary of BST. All of the outstanding capital stock and voting stock of Totta Ireland is owned directly by BST.

Totta Ireland's principal activity is to act as a finance company for the BST Group. Totta Ireland raises funds by issuing notes in the international capital markets which have the benefit of a guarantee provided by BST and on lends to other BST Group companies. Totta Ireland also subscribes securitisation notes backed by loan portfolios originated by the Santander Group and is accordingly exposed to the credit risk of the underlying borrowers.

Totta Ireland's role as a financing vehicle exposes it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. A risk management programme is in place that seeks to limit the adverse effects on Totta Ireland's financial performance of those risks by matching foreign currency assets and liabilities and through the use of financial instruments, including interest rate swaps, cross-currency swaps and foreign currency contracts, to manage interest rate and foreign currency risk.

To the extent that Totta Ireland is the issuer of the Notes, the ability of Totta Ireland to satisfy its payment obligations under Notes issued under the Programme will be dependent upon the financial support provided to it by other members of the BST Group and BST's ability to satisfy its obligations as guarantor in relation to the amounts owing under the Notes.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

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

If, in relation to any particular issue of Notes, the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when an Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

If, in relation to any particular issue of Notes, the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

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

Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

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

Because the Interbolsa Notes are held through accounts of affiliate members of Interbolsa, investors will have to rely on various procedures applied by Interbolsa with respect to the following:

(a) *Form and Transfer of the Interbolsa Notes*

Interbolsa Notes held through accounts of Affiliate Members of Interbolsa will be represented in dematerialised book entry form (*forma escritural*) and can either be *nominativas* (in which case Interbolsa, at the request of BST, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Noteholders and transmit such information to BST) or *ao portador* (in which case Interbolsa cannot inform BST of the identity of the Noteholders). The Interbolsa Notes shall not be issued in documentary (materialised) form (*forma titulada*), whether definitive or global. The Interbolsa Notes will be registered in the issue account opened by an Issuer with Interbolsa and will be held in control accounts by the Affiliate Members of Interbolsa on behalf of the relevant Noteholders. Such control accounts will reflect at all times the aggregate number of Notes held in the individual securities accounts opened by the clients of the Affiliate Members of Interbolsa which include Euroclear and CBL. The transfer of Interbolsa Notes and their beneficial interests will be made through Interbolsa.

(b) *Payment Procedures of the Interbolsa Notes*

In respect of Interbolsa Notes, payment of principal and interest: (i) in euros will be: (a) credited, according to the procedures and regulations of Interbolsa, by the Portuguese paying agent (the "*Portuguese Paying Agent*") acting on behalf of BST from the payment current account which the Portuguese Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Portuguese Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Interbolsa Notes and thereafter; (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the owners of those Interbolsa

Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the beneficial owners of those Interbolsa Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be; (ii) in currencies other than euros in respect of the Interbolsa Notes will be: (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the Portuguese Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter; (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Interbolsa Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the beneficial owners of those Interbolsa Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be.

The Noteholders must rely on the procedures of Interbolsa to receive payment under the Interbolsa Notes. The Issuers will have no responsibility or liability for the records relating to payments made in respect of beneficial interests in the Interbolsa Notes.

(c) *Notice to the Noteholders*

Notices to the Noteholders shall comply with the Portuguese law requirements that may be applicable, namely pursuant to the Portuguese Securities Code and CMVM Regulation 5/2008, as amended, and by any other way which complies with Portuguese Securities Code and Interbolsa's rules on notices to investors, notably the disclosure of information through the CMVM official website (www.cmvm.pt).

Meetings of holders of Interbolsa Notes are governed by the Portuguese Companies Code ("Código das Sociedades Comerciais")

Meetings may be convened by the common representative (if any) or, if (i) no common representative has been appointed or (ii) if appointed, the relevant common representative has failed to convene a meeting, by the chairman of the general meeting of shareholders of BST, and shall be convened if requested by Noteholders holding not less than 5 per cent. in principal amount of the Notes for the time being outstanding. The quorum required for a meeting convened to pass a resolution other than an extraordinary resolution will be any person or persons holding or representing Notes then outstanding, regardless of the principal amount thereof; and the quorum required for a meeting convened to pass an extraordinary resolution will be a person or persons holding or representing at least 50 per cent. of the Notes then outstanding or, at any adjourned meeting, any person or persons holding or representing any of the Notes then outstanding, regardless of the principal amount thereof.

The number of votes required to pass a resolution other than an extraordinary resolution is a majority of the votes cast at the relevant meeting; the majority required to pass an extraordinary resolution, including, without limitation, a resolution relating to the modification or abrogation of certain of the provisions of the Terms and Conditions, is at least 50 per cent. of the principal amount of the Notes then outstanding or, at any adjourned meeting, two-thirds of the votes cast at the relevant meeting and, in respect of a resolution regarding an increase in the obligations of the Noteholders, by all Noteholders. Resolutions passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting or have voted against the approved resolutions.

Risks related to Notes generally

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

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors

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

Income derived from Notes issued by BST is currently subject to Portuguese withholding tax and there will be no gross-up for amounts withheld on such Notes

Subject as provided below, income derived from Notes issued by BST is currently subject to Portuguese withholding tax and there will be no gross-up for amounts withheld on such Notes.

Pursuant to Decree-Law 193/2005, of 7 November 2005, as amended from time to time (the "*Decree-Law*"), investment income classified as obtained in Portuguese territory paid to Noteholders that are non-residents in the Republic of Portugal (with some exceptions – see "*Portuguese Taxation*"), as well as capital gains

derived from a sale or other disposition of such Interbolsa Notes, will be exempt from Portuguese income tax.

If Interbolsa Notes are integrated in a centralised system for securities managed by a resident entity or an international clearing system managing entity established in other EU Member State (Euroclear and CBL) or in an European Economic Area Member State (provided it is bound by an administrative cooperation in tax matters similar to the one established within the EU) are held in an account with an international clearing system (either with Euroclear or CBL), the management entity of such international clearing system shall transmit to the direct register entity or to its representative regarding all accounts under its management, the name and address and tax identification number (as long as they possess one), the identification and quantity of the securities held and the amount of income of each beneficiary.

Such procedures may be revised from time to time in accordance with Portuguese law and regulations, further clarification from the Portuguese tax authorities regarding such laws and regulations and the operational procedures of the clearing systems.

Failure to comply with these procedures and certifications will result in the application of Portuguese withholding tax at a rate of 28 or 25, per cent. as the case may be, both in case of individuals and corporate entities, both non-resident in the Portuguese territory, at the date of this Base Prospectus, or if applicable, at reduced withholding tax rates pursuant to tax treaties signed by Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with (see "*Taxation*").

BST will not gross up payments in respect of any such withholding tax in any of the cases indicated in Condition 7 of the Portuguese law Notes including failure to deliver the certificate or declaration referred to above. Accordingly, Noteholders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of the Interbolsa Notes. None of the Issuers, the Guarantor, the Arranger, the Dealers, the paying agents or the clearing systems assume any responsibility therefor.

The value of the Notes could be adversely affected by a change in English law or Portuguese law or administrative practice

The conditions of the Notes are based on English law or Portuguese law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or Portuguese law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which has denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market

risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments in those Notes

The relevant Issuer or the Guarantor, as the case may be, will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "*Investor's Currency*") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to an Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Notes. There is no obligation of the Issuers or the Guarantor to maintain any rating for itself or for the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be lowered, withdrawn or qualified by the rating agency at any time. In case any credit rating initially assigned to the Notes is subsequently lowered, withdrawn or qualified for any reason, no person will be obliged to provide any credit facilities or credit enhancement to the relevant Issuer for the original rating to be restored, nor will the relevant Issuer have any obligation to restore the original rating. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market value of the Notes.

European regulated institutions are in general restricted from using credit ratings for regulatory purposes under Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011 of the European Parliament and the Council and by Regulation (EU) 462/2013 of the European Parliament and the Council, the "*CRA Regulation*"), unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies is set out on the cover of this Base Prospectus.

Legal investment considerations may restrict certain investments

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(a) the audited consolidated annual financial statements of BST for the years ended 31 December 2014 and 31 December 2015 and the related Legal Certification of Accounts and Auditors' Report;

(b) the audited non-consolidated annual financial statements of Totta Ireland for the years ended 30 November 2014 and 30 November 2015 and the related Auditors' reports; and

(c) the Terms and Conditions of the Notes contained in previous Base Prospectuses dated (i) 24 July 2015, pages 51-84 (inclusive) (ii) 8 August 2014, pages 49-66 (inclusive) (iii) 27 September 2013, pages 47-63 (inclusive) (iv) 20 September 2012, pages 47-83 (inclusive) (v) 22 July 2011, pages 59-101 (inclusive), (vi) 16 July 2010, pages 55-97, (vii) 17 July 2009, pages 63-114, (viii) 18 July 2008, pages 61-108, (ix) 18 July 2007, pages 60-105, (x) 31 July 2006, pages 33-54, (xi) 30 June 2005, pages 25-48, (xii) 24 September 2004, pages 25-48, (xiii) 7 August 2003, pages 25-48, (xiv) 26 September 2002, pages 25-47 and (xv) 1 August 2001, pages 25-47 prepared by the Issuer(s) in connection with the Programme.

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

Copies of BST's documents incorporated by reference in this Base Prospectus can be obtained from the website of Banco Santander Totta, S.A., www.santandertotta.com. Copies of Totta Ireland's documents incorporated by reference in this Base Prospectus can be obtained from the website of the Luxembourg Stock Exchange, www.bourse.lu. In addition, such documents will be available free of charge from the principal office in Luxembourg of Deutsche Bank Luxembourg S.A. for Notes listed on the official list of the Luxembourg Stock Exchange. Furthermore, copies of this Base Prospectus, each set of Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website: www.bourse.lu.

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

The following documents shall be incorporated in, and form part of, this Base Prospectus:

Document	*Section Incorporated*
Banco Santander Totta, S.A.	
1. Reports and Financial Statements 2014	
Audited consolidated financial statements (prepared in accordance with IFRS) for the year ended 31 December 2014	Pages 82-87
Consolidated statement of income	Page 84
Consolidated balance sheet	Page 83
Consolidated statement of cash flow	Page 87
Statement of changes in consolidated shareholder's equity	Page 86
Consolidated statement of comprehensive income	Page 85
Notes to the financial statements	Pages 88-230
Legal Certification of Accounts and Auditors' Report	*Three last pages*
2. Reports and Financial Statements 2015	

Audited consolidated financial statements (prepared in accordance with IFRS) for the year ended 31 December 2015	Pages 78-83
Consolidated statement of income	Page 80
Consolidated balance sheet	Page 79
Consolidated statement of cash flow	Page 83
Statement of changes in consolidated shareholder's equity	Page 82
Consolidated statement of comprehensive income	Page 81
Notes to the financial statements	Pages 84-253
Legal Certification of Accounts and Auditors' Report	*Three last pages*

Totta (Ireland) p.l.c.

1. Reports and Financial Statements 2014

Audited non-consolidated financial statements (prepared in accordance with Irish GAAP and Irish statute comprising the Companies Acts, 1963 to 2013) for the year ended 30 November 2014	Pages 12-14
Profit and Loss account	Page 12
Balance Sheet	Page 13
Notes to the financial statements	Pages 15-26
Independent Auditors' Report	Pages 6-7

2. Reports and Financial Statements 2015

Audited non-consolidated financial statements (prepared in accordance with Irish GAAP and Irish statute comprising the Companies Acts, 1963 to 2013) for the year ended 30 November 2015	Pages 8-10
Profit and Loss account	Page 8
Balance Sheet	Page 9
Notes to the financial statements	Pages11-28
Independent Auditors' Report	Pages 6-7

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

FORM OF THE NOTES, CLEARING AND PAYMENTS

1. ENGLISH LAW NOTES; EUROCLEAR/CBL SETTLEMENT

Each Tranche of Notes (as defined in the *"Terms and Conditions of the Notes – Part I"* below) will be in bearer form and will initially be issued in the form of a Temporary Global Note (as defined on page 10 or, if so specified in the applicable Final Terms, a Permanent Global Note (as defined on page 10 which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note ("*NGN*") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "*Common Safekeeper*") for Euroclear and CBL; and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "*Common Depositary*") for Euroclear and CBL.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or CBL or another entity approved by Euroclear and CBL, as indicated in the applicable Final Terms.

A. Notes represented by a TEFRA C Global Note

(i) *Payments*

Payments of principal and interest (if any) on a TEFRA C Global Note (as defined on page 9) will be made to, or to the order of, CBL and/or Euroclear against presentation or surrender (as the case may be) of the TEFRA C Global Note without any requirement for certification.

(ii) *Exchange of TEFRA C Global Note*

A TEFRA C Global Note will be exchangeable in whole or, in the circumstances described in the Notes, in part for Definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from CBL and/or Euroclear (acting on the instructions of any holder of an interest in such TEFRA C Global Note) to the Agent as described therein[1] or (b) only upon the occurrence of an Exchange Event. For these purposes, *"Exchange Event"* means that (i) an Event of Default (as defined in Condition 9 of the English law Notes) has occurred and is continuing, (ii) Totta Ireland has been notified that both CBL and Euroclear have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) Totta Ireland has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the TEFRA C Global Note in definitive form.

Totta Ireland will promptly give notice to Noteholders in accordance with Condition 13 of the English law Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, CBL and/or Euroclear (acting on the instructions of any holder of an interest in such TEFRA C Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, Totta Ireland may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

B. Notes represented initially by a Temporary Global Note

(i) *Payments*

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale

[1] Section 1(A)(ii)(a) shall not apply if the applicable Final Terms specify denominations consisting of a minimum Specified Denomination plus one or more integral multiples of another smaller amount.

to any U.S. person, as required by U.S. Treasury regulations, has been received by CBL and/or Euroclear; and CBL and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

(ii) *Exchange of Temporary Global Note*

On and after the date (the *"Exchange Date"*) which is 40 days after the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note (as defined on page 10) without interest coupons or talons of the same Series or (ii) for Definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused.

(iii) *Payments on Permanent Global Note*

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

(iv) *Exchange of Permanent Global Note*

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Notes with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days' written notice from CBL and/or Euroclear (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein[2] or (ii) only upon the occurrence of an Exchange Event (as defined above, and construing any references to a TEFRA C Global Note as references to a Permanent Global Note).

Totta Ireland will promptly give notice to Noteholders in accordance with Condition 13 of the English law Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, CBL and/or Euroclear (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event where Totta Ireland has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the TEFRA C Global Note in definitive form, Totta Ireland may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

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

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

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of CBL or Euroclear or any additional or alternative clearing system, as the case may be.

Pursuant to the Agency Agreement (as defined under *"Terms and Conditions of the Notes – Part I"*), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until (if applicable) such time as the Tranches are consolidated and form a single Series which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

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[2] Section 1(B)(iv)(i) shall not apply if the applicable Final Terms specify denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

Any reference herein to CBL and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 of the English law Notes. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with CBL and/or Euroclear, as the case may be, will become entitled to proceed directly against Totta Ireland on the basis of statements of account provided by CBL and/or Euroclear on and subject to the terms of a deed of covenant (the "*Deed of Covenant*") dated 24 July 2015 executed by the Issuer.

Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgium law of 14 December 2005.

2. PORTUGUESE LAW NOTES; INTERBOLSA SETTLEMENT

Form of the Interbolsa Notes

The Interbolsa Notes will be represented in dematerialised book-entry form ("*forma escritural*") and can either be *nominativas* (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Noteholders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform BST of the identity of the Noteholders). The Interbolsa Notes will be held through the accounts of affiliate members of the Portuguese central securities depositary and the manager of the Portuguese settlement system, *Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.* ("*Interbolsa*"), as operator and manager of the "*Central de Valores Mobiliários*" (the "*CVM*").

Clearing and Settlement

Interbolsa manages the operation of the central securities depositary in the Republic of Portugal known as *sistema centralizado* in which all securities in book entry form to be centrally cleared and settled in Portugal must be registered (the "*Book-Entry Registry*" and each a "*Book Entry*"). The CVM is composed of interconnected securities accounts, through which securities (and inherent rights) are created, held and transferred. This allows Interbolsa to control the amount of securities created, held and transferred. Issuers of securities, financial intermediaries which are Affiliate Members (Direct Registration Entities) of Interbolsa and the Bank of Portugal, all participate in the CVM.

The CVM provides for all the procedures which allow the owners of securities to exercise their rights.

In relation to each issue of securities, CVM comprises *inter alia* (i) the issue account, opened by the relevant issuer in the CVM and which reflects the full amount of securities issued, and (ii) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect, at all times, the aggregate nominal amount of securities held in the individual securities accounts opened by holders of securities with each of the Affiliate Members of Interbolsa (as defined below).

Title to the Interbolsa Notes passes upon registration in the records of an Affiliate Member of Interbolsa. Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Interbolsa Notes shall be treated as the holder of the principal amount of the Interbolsa Notes recorded.

The expression "*Affiliate Member of Interbolsa*" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of Noteholders and includes any depository banks appointed by (i) Euroclear and CBL, for the purposes of holding accounts on behalf of Euroclear and CBL with Interbolsa, or (ii) other financial intermediaries that do not hold control accounts directly with Interbolsa, but which hold accounts with an Affiliate Member of Interbolsa, which in turn has an account with Interbolsa.

Interbolsa Notes registered with Interbolsa will be attributed an International Securities Identification Number (ISIN) code through Interbolsa's codification system and will be accepted for clearing through CVM, the clearing system operated at Interbolsa as well as through the clearing systems operated by Euroclear and CBL and settled by Interbolsa's settlement system.

Payments

Payment of principal and interest in respect of the Interbolsa Notes will be subject to Portuguese laws and regulations, notably the regulations from time to time issued and applied by the *Comissão do Mercado de Valores Mobiliários* (Portuguese Securities Market Commission, the "*CMVM*") and Interbolsa.

BST must give Interbolsa advance notice of all payments and provide all necessary information for that purpose, notably the identity of the financial intermediary integrated in Interbolsa appointed by BST to act as the paying agent in respect of the Interbolsa Notes (the "*Portuguese Paying Agent*") responsible for the relevant payment.

Prior to any payment the Portuguese Paying Agent shall provide Interbolsa with a statement of acceptance of its role of Portuguese Paying Agent.

Interbolsa must notify the Portuguese Paying Agent of the amounts to be settled, which will be determined by Interbolsa on the basis of the account balances of the accounts of the Affiliate Members of Interbolsa.

On the date on which any payment in respect of the Interbolsa Notes is to be made, the corresponding entries and counter-entries will be made by Interbolsa in the relevant current accounts held by the Portuguese Paying Agent and by the Affiliate Members of Interbolsa.

Accordingly, payment of principal and interest in respect of Interbolsa Notes (i) in euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the Portuguese Paying Agent acting on behalf of BST from the payment current account which the Portuguese Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Portuguese Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Interbolsa Notes and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the owners of those Interbolsa Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the beneficial owners of those Interbolsa Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be (ii) in currencies other than euros in respect of the Interbolsa Notes will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the Portuguese Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Interbolsa Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the beneficial owners of those Interbolsa Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes with a denomination of EUR 100,000 (or its equivalent in any other currency) or more issued under the Programme.

[*Date*]

[Banco Santander Totta, S.A.
(incorporated with limited liability in the Republic of Portugal)

acting through its Lisbon Head Office]*

[Totta (Ireland) p.l.c.
(incorporated with limited liability in Ireland)[1]

with obligations unconditionally and irrevocably guaranteed by **Banco Santander Totta, S.A., acting through its London Branch**]*

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes][2]
under the EUR 10,000,000,000
Euro Medium Term Note Programme

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 30 May 2016 [and the supplement[s] to it dated [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "*Base Prospectus*"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and for Notes issued by Totta (Ireland) p.l.c., the Guarantor, and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[*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 [24 July 2015 / 8 August 2014 / 27 September 2013 / 20 September 2012 / 22 July 2011 / 16 July 2010 / 17 July 2009 / 18 July 2008 / 18 July 2007 / 31 July 2006 / 30 June 2005 / 24 September 2004 / 7 August 2003 / 26 September 2002 / 1 August 2001] which are incorporated by reference in the Base Prospectus dated 30 May 2016. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 30 May 2016 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "*Base Prospectus*"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and for Notes issued by Totta (Ireland) p.l.c., the Guarantor, and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

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

1.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*identify issue amount/ISIN/maturity date/issue date of earlier Tranches*]] on [the Issue Date/exchange of the Temporary Global Note for

* Delete as appropriate
1 Totta (Ireland) p.l.c. will not issue Interbolsa Notes.
2 Include the expression "Obrigações de Caixa" in the title if the applicable Final Terms refer to the issue of Cash bonds ("*Obrigações de Caixa*").

		interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [*date*]] [Not Applicable]
2.	Specified Currency or Currencies:	[ ]
3.	Aggregate Nominal Amount: (a) Series: (b) Tranche:	 [ ] [ ]
4.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a) Specified Denominations:	[ ] (*N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent)*) (*Note – where multiple denominations above EUR 100,000 (or equivalent) are being used the following sample wording should be followed:* *"EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000. No Notes in definitive form will be issued with a denomination above EUR 199,000."*)
	(b) Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)
6.	(a) Issue Date: (b) Interest Commencement Date:	[ ] [*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date[3]:	[*Specify date or for Floating rate notes* Interest Payment Date falling in or nearest to [*specify month and year*]]
8.	Interest Basis:	[[ ] per cent. Fixed Rate] [[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate] [Zero Coupon Note] (see paragraph [13]/[14]/[15] below)
9.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]/[*specify other redemption amount to be greater than 100*] per cent. of their nominal amount.
10.	Change of Interest Basis:	[*Specify the date when any fixed to floating change occurs or cross refer paragraphs 13 and 14 below if details are included there*] [Not Applicable]
11.	Put/Call Options:	[Investor Put] [Issuer Call] [Not Applicable] (see paragraphs [17]/[18] below) [(further particulars specified below)]
12.	Date [Board] approval for issuance of Notes [and Guarantee] obtained::	[[ ] [and [ ], respectively]/[Not Applicable] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)

[3] Notes will have a minimum maturity of one year or more.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date] (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form*)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
	(e)	Day Count Fraction:	[*30/360*] [*Actual/Actual (ICMA)*]
	(f)	[Determination Date(s):	[[ ] in each year] [Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
14.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to any adjustment, as in the Business Day Convention in (c) below is specified to be Not Applicable]
	(b)	First Interest Payment Date:	[ ]
	(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[Not Applicable]]
	(d)	Additional Business Centre(s):	[ ]
	(e)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(f)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(g)	Screen Rate Determination:	
		– Reference Rate:	[ ] month [LIBOR/EURIBOR].
		– Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
		– Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	(h)	ISDA Determination:	
		– Floating Rate Option:	[ ]
		– Designated Maturity:	[ ]

	– Reset Date:	[ ] (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
(i)	Linear Interpolation	[Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(j)	Margin(s):	[+/-] [ ] per cent. per annum
(k)	Minimum Rate of Interest:	[[ ] / [0]] per cent. per annum
(l)	Maximum Rate of Interest:	[ ] per cent. per annum
(m)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]
15.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Accrual Yield:	[ ] per cent. per annum
(b)	Reference Price:	[ ] (*Consider applicable day count fraction if euro denominated*)
(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

16.	Notice periods for Condition 6(b) of the English law Notes and 6(b) of the Portuguese law Notes:	Minimum period: [30] days Maximum period: [60] days
17.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount:	[[ ] per Calculation Amount]
(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice periods:	Minimum period: [15] days Maximum period: [30] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
18.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount:	[ ] per Calculation Amount
(c)	Notice periods:	Minimum period: [15] days

		Maximum period: [30] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Final Redemption Amount:	[ ] per Calculation Amount]
20.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount] *(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:[4]	
	(a) Form:	[TEFRA C Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [*N.B. if bearer Global Notes, English law must be selected in (c) below*] [Dematerialised book-entry (Interbolsa Notes) *[N.B. If Interbolsa Notes, Portuguese law must be selected in (c) below]*] [*Nominativas / Ao portador*] (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000*." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)
	(b) New Global Note:	[Yes][No] [*N.B. Not applicable to Interbolsa Notes*]
	(c) Governing law:	[English law]/[Portuguese law]
22.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which subparagraph 14(d) relates*)
23.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

[4] Totta Ireland will not issue Interbolsa Notes. BST will not issue Global Notes or Definitive Notes.

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. [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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [*name of the Issuer*]:

By:
Duly authorised

[Signed on behalf of Banco Santander Totta, S.A., acting through its London Branch:
By:
Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the official list of the Luxembourg Stock Exchange with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the official list of the Luxembourg Stock Exchange with effect from [ ].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "*CRA Regulation*"). [[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under the CRA Regulation. The ratings have been endorsed by [*insert the legal name of the relevant EU-registered CRA entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU CRA entity*] is established in the European Union and registered under the CRA Regulation] The list of registered and certified rating agencies is published by the European Securities and Markets Authority ("*ESMA*") on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. [ESMA has indicated that ratings issued in [the USA/Canada/Hong Kong/Singapore/Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU CRA entity that applied for registration*] may be used in the EU by the relevant market participants.]]]/[Not Applicable.] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers and the Guarantor and their affiliates in the ordinary course of business. – *Amend as appropriate if there are other interests*]

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

4. YIELD (Fixed Rate Notes only)

Indication of yield: [ ]

5. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking, société anonyme, Luxembourg or Interbolsa and the relevant identification number(s):	[Not Applicable/*give name(s), address(es) and number(s)*/Central de Valores Mobiliários identification number]
(iv)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(v)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(ii)	Date of [Subscription] Agreement:	[ ]
(iii)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(iv)	U.S. Selling Restrictions:	[TEFRA D/TEFRA C/TEFRA not applicable]

TERMS AND CONDITIONS OF THE NOTES

PART I – ENGLISH LAW NOTES; EUROCLEAR/CBL SETTLEMENT

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each Definitive Note (as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Totta (Ireland) p.l.c. (the "*Issuer*") pursuant to the Agency Agreement (as defined below).

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

(i) in relation to any Notes represented by a global Note (a "*Global Note*"), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note; and

(iii) any definitive Notes issued in exchange for a Global Note (each a "*Definitive Note*").

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "*Agency Agreement*") dated 24 July 2015, and made between, *inter alia*, the Issuer, Banco Santander Totta, S.A. acting through its London Branch in its capacity as guarantor (the "*Guarantor*"), Deutsche Bank AG as issuing and principal paying agent and agent bank (the "*Agent*", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "*Paying Agents*", which expression shall include any additional or successor paying agents).

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and complete these Terms and Conditions. References to the "*applicable Final Terms*" are, unless otherwise stated, to the Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons ("*Coupons*") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("*Talons*") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The payment of all amounts in respect of Notes have been guaranteed by the Guarantor pursuant to a guarantee (such Guarantee, as modified and/or supplemented and/or restated from, time to time, the "*Guarantee*") and set out in the amended and restated deed of guarantee dated 27 September 2013 and executed by the Guarantor (the "*Deed of Guarantee*"). The original of the Deed of Guarantee is held by the Agent on behalf of the Noteholders at its specified office.

Any reference to "*Noteholders*" or "*holders*" in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to "*Couponholders*" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "*Tranche*" means Notes which are identical in all respects (including as to listing and admission to trading) and "*Series*" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the "*Deed of Covenant*") dated 24 July 2015 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary or as the case may be, the common safekeeper, for CBL (as defined below) and Euroclear (as defined below).

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If the Notes are neither to be admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus would otherwise be required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

In these Terms and Conditions, "*euro*", "*EUR*", "*Eur*" and "*€*" mean the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "*Specified Currency*") and the denominations (the "*Specified Denomination(s)*") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

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

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantor and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Clearstream Banking, société anonyme, Luxembourg ("*CBL*") and/or Euroclear Bank SA/NV ("*Euroclear*") each person (other than CBL or Euroclear) who is for the time being shown in the records of CBL or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by CBL or Euroclear as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "*Noteholder*" and "*holder of Notes*" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of CBL and Euroclear, as the case may be.

References to CBL and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system.

2. STATUS OF THE NOTES AND THE GUARANTEE

(a) Status of the Notes

The Notes and any relative Coupons are direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) *pari passu* with all other present

and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, from time to time outstanding.

(b) Status of the Guarantee

In respect of Notes and any relative Coupons, the obligations of the Guarantor under the Guarantee are direct, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) *pari passu* with all other present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Guarantor, from time to time outstanding.

3. NEGATIVE PLEDGE

This Condition 3 shall apply to the Notes and the Guarantee by the Guarantor of obligations in respect of the Notes.

So long as any of the Notes remains outstanding, the Issuer shall not create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Indebtedness (as defined below) or any guarantee or indemnity given in respect of any Indebtedness, without, in the case of the creation of an encumbrance or security interest, at the same time and, in any other case, promptly according to the Noteholders an equal and rateable interest in the same or providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

In respect of the Guarantee, the Guarantor shall not create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Indebtedness (as defined below) or any guarantee or indemnity given in respect of any Indebtedness, without, in the case of the creation of an encumbrance or security interest, at the same time and, in any other case, promptly according to the Noteholders an equal and rateable interest in the same or providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Condition 3 shall prevent the Issuer or the Guarantor from creating or permitting to subsist a mortgage, charge, lien, pledge or similar encumbrance or security interest upon a defined pool of its assets (not representing all of the assets of the Issuer or the Guarantor) (including, but not limited to, receivables) (the "*Secured Assets*") which is or was created pursuant to any securitisation or like arrangement in accordance with normal market practice (whether or not involving the issue by the Issuer or the Guarantor itself of asset backed securities) and whereby all payment obligations in respect of the Indebtedness or any guarantee or indemnity given in respect of the Indebtedness, as the case may be, secured on the Secured Assets are to be discharged solely from the Secured Assets.

As used herein:

"*Indebtedness*" means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) but, in the case of the Guarantor, excluding Covered Bonds:

(i) where more than 50 per cent. in aggregate principal amount of such bonds, notes, debentures or other securities are initially offered outside Ireland by or with the authorisation of the Issuer or the Guarantor, as the case may be; and

(ii) which are, or are intended to be or are capable of being, listed or traded on any stock exchange, over-the-counter or other organised market for securities (whether or not initially distributed by way of private placing).

"*Covered Bonds*" means any bonds or notes issued by the Guarantor the obligations of which benefit from a special creditor privilege ("*privilégio creditório especial*") as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other loans permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation.

4. INTEREST

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. For so long as any of the Fixed Rate Notes is

represented by a Global Note, interest will be calculated on the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note. In respect of each definitive Fixed Rate Note, interest will be calculated on its outstanding nominal amount.

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

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

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

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

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

"*Day Count Fraction*" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

(i) if "*Actual/Actual (ICMA)*" is specified in the applicable Final Terms:

  (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "*Accrual Period*") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

  (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

    (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

    (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

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

In these Terms and Conditions:

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

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

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

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

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, "*Interest Period*" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). For so long as any of the Floating Rate Notes is represented by a Global Note, interest will be calculated on the aggregate outstanding nominal amount of the relevant Notes. In respect of each definitive Floating Rate Note, interest will be calculated on its outstanding nominal amount.

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

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (A) above shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "*Business Day*" means a day which is:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "*TARGET2 System*") is open; and

(C) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Notes

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

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

(B) Screen Rate Determination for Floating Rate Notes

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

(a) the offered quotation; or

(b) the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(2) If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(B)(1)(a), no offered quotation appears or, in the case of subclause 4(b)(ii)(B)(1)(b), fewer than three offered quotations appear, in each case as at the Specified Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

(3) If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used

for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

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

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

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "*Interest Amount*") payable on the Floating Rate Notes:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

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

"*Day Count Fraction*" means, in respect of the calculation of an amount of interest for any Interest Period:

(A) if "*Actual/360*" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

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

(C) if "*Actual/365* (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(D) if "*Actual/365 (Sterling)*" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(E) if "*30/360*", "*360/360*" or "*Bond Basis*" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter

than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"*Designated Maturity*" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and each stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "*London Business Day*" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent; the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of interest

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

(1) the date on which all amounts due in respect of such Note have been paid; and

(2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. PAYMENTS

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the Noteholder with, or, at the option of the Noteholder, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and

(ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the Noteholder or, at the option of the Noteholder, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "*Code*") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(b) Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

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

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

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

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

(c) Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented, or in the records of Euroclear and CBL, as applicable.

(d) General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of CBL or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to CBL or Euroclear, as the case may be, for his share of each payment so made by the Issuer or the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer or the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(e) Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "*Payment Day*" means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open and CBL and/or Euroclear, as the case may be, are open for general business.

(f) Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition7;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)); and

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition7.

6. REDEMPTION AND PURCHASE

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) Redemption for tax reasons

Subject to Condition 6(e), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if such Note is not a Floating Rate Note) or on any Interest Payment Date (if such Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantor would be unable

for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition7), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer and the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or two Directors of the Guarantor, as the case may be stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed *("Redeemed Notes*") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of CBL and/or Euroclear (to be reflected in the records of Euroclear and CBL as either a pool factor or a reduction in nominal amount at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "*Selection Date*"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

(d) Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and CBL, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "*Put Notice*") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or CBL, to exercise the right to require

redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and CBL (which may include notice being given on his instruction by Euroclear or CBL or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and CBL from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition9.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 9:

(i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(ii) each Zero Coupon Note, will be redeemed at an amount (the "*Amortised Face Amount*") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^{y}$$

where:

"*RP*" means the Reference Price;

"*AY*" means the Accrual Yield expressed as a decimal; and

"*y*" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of twelve months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

(f) Purchases

The Issuer, the Guarantor or any subsidiary of the Issuer or Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, the Guarantor or the relevant subsidiary, surrendered to any Paying Agent for cancellation.

(g) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (f) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(h) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law or regulation. In such event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(i) presented for payment in a Tax Jurisdiction; and/or

(ii) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; and/or

(iii) presented for payment by or on behalf of a holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority; and/or

presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(e)); and/or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or

(v) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

(i) "*Tax Jurisdiction*" means (i) Ireland or any subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer) (ii) the United Kingdom or the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Guarantor); and

(ii) the "*Relevant Date*" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. EVENTS OF DEFAULT

If any one or more of the following events (each an "*Event of Default*") shall occur and be continuing with respect to any Note:

(i) the Issuer fails to make payment in the Specified Currency of any principal or interest due in respect of the Notes and such failure to pay continues, in the case of principal, for a period of 7 days or, in the case of interest, for a period of 14 days; or

(ii) the Issuer or the Guarantor defaults in the performance or observance of or compliance with any other obligation on its part in respect of the Notes or the Guarantee and (except where such default is not capable of remedy, where no such notice shall be required) such default shall continue for a period of 30 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by a holder of the Note; or

(iii) bankruptcy or insolvency proceedings are commenced by a court against the Issuer or the Guarantor, or the Issuer or the Guarantor institutes such proceedings or suspends payments or offers or makes a general arrangement for the benefit of all its creditors; or

(iv) any order shall be made by any competent court or resolution passed for the dissolution of the Issuer or the Guarantor, except a dissolution for the purposes of or pursuant to a reorganisation, merger, consolidation or amalgamation whereby the continuing entity or entity formed as a result of the reorganisation, merger, consolidation or amalgamation effectively assumes the entire obligations of the Issuer under the Notes or of the Guarantor under the Guarantee; or

(v) the repayment of any Indebtedness for Borrowed Money (as defined below) owing by the Issuer or the Guarantor is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer or the Guarantor defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any Indebtedness for Borrowed Money or in the honouring of any guarantee or indemnity in respect of any Indebtedness for Borrowed Money provided that no such event referred to in this subparagraph (v) shall constitute an Event of Default unless the Indebtedness for Borrowed Money whether alone or when aggregated with other Indebtedness for Borrowed Money relating to all (if any) other such events which shall have occurred shall exceed EUR 25,000,000 (or its equivalent in any other currency or currencies); or

(vi) the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly by Banco Santander Totta, S.A.; or

(vii) the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force or effect,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition9:

"*Indebtedness for Borrowed Money*" means any present or future indebtedness for or in respect of (i) money borrowed, or (ii) any notes, bonds, debentures, loan stock or other securities offered, issued or distributed whether by way of public offer, private placement, acquisition consideration or otherwise and whether issued in cash or in whole or in part for consideration other than cash.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be a Paying Agent with its specified office in a country outside the Tax Jurisdiction; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, other than the jurisdiction in which the Issuer or Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition8.

13. NOTICES

All notices regarding the Notes will be deemed to be validly given on the date of such publication if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Notes are admitted to trading on, and listed on the official list of the Luxembourg Stock Exchange, and as long as the rules of such exchange so requires in a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* or any other applicable leading daily newspaper having general circulation in Luxembourg. So long as the Notes are listed on the official list of the Luxembourg Stock Exchange, the Issuer will also request that notices to holders of the Notes be published on the website of the Luxembourg Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers, and, in the case of publication on the website of the Luxembourg Stock Exchange, www.bourse.lu, on the date of such publication.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of CBL and/or Euroclear, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to CBL and/or Euroclear for communication by them to the holders of the Notes and, in addition, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of the stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which said notice was given to CBL and/or Euroclear.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through CBL and/or Euroclear, as the case may be, in such manner as the Agent and CBL and/or Euroclear, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons or Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Notes and the Coupons are governed by, and construed in accordance with, English law.

(b) Submission to jurisdiction

(i) Subject to Condition 17(b)(iii) below, the English Courts are to have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute

as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuers and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(ii) For the purposes of Condition 17(b), each of the Issuers and the Guarantor (in the case of Notes issued by Totta Ireland) irrevocably waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute and further irrevocably agree that a judgment in any proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

(iii) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (A) proceedings in any other court with jurisdiction; and (B) concurrent proceedings in any number of jurisdictions.

(c) Appointment of Process Agent

Each of the Issuers and the Guarantor appoint Banco Santander Totta, S.A., London Branch, at its registered office at 50 Mark Lane, London EC3R 7QR, United Kingdom, as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and undertakes that, in the event of Banco Santander Totta, S.A., London Branch, being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

PART II– PORTUGUESE LAW NOTES; INTERBOLSA SETTLEMENT

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Note settled by Central de Valores Mobiliários, S.A. the clearing system operated at Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários S.A. The applicable Final Terms (or the relevant provisions thereof) will be incorporated into and applicable to each Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Banco Santander Totta, S.A., acting through its Lisbon Head Office (the "*Issuer*") pursuant to the Agency Agreement (as defined below).

The Notes have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "*Agency Agreement*") dated 24 July 2015, and made between the Issuer, Totta (Ireland) p.l.c., Banco Santander Totta, S.A., acting through its London Branch in its capacity as guarantor in respect of Notes issued by Totta (Ireland) p.l.c. (the "*Guarantor*"), Banco Santander Totta, S.A. as paying agent in Portugal (the "*Portuguese Paying Agent*" which expression shall include any successor Portuguese paying agent), Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the "*Agent*", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "*Paying Agents*", which expression shall include any additional or successor paying agents).

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms incorporated into this Note and complete these Terms and Conditions. References to the "*applicable Final Terms*" are, unless otherwise stated, to the Part A of the Final Terms (or the relevant provisions thereof) incorporated into this Note.

Any reference to "*Noteholders*" or "*holders*" in relation to any Notes shall mean, if integrated in and held through Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("*Interbolsa*"), as operator of the Portuguese centralised securities system ("*CVM*"), each person shown in the book-entry records of a financial institution, which is licensed to act as a financial intermediary under the Portuguese Securities Code ("*Código dos Valores Mobiliários*", the "*Portuguese Securities Code*") and the regulations issued by Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission, the "*CMVM*"), by Interbolsa or otherwise applicable rules and regulations and which is entitled to hold control accounts (each such institution an "*Affiliate Member of Interbolsa*"), as having an interest in the principal amount of the Notes.

As used herein, "*Tranche*" means Notes which are identical in all respects (including as to listing and admission to trading) and "*Series*" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

If so specified in the applicable Final Terms, the Notes may qualify as cash bonds (*obrigações de caixa*) under the terms of Decree-Law 408/91, of 17 October 1991 (as amended), provided that certain requirements set out therein are met, including that (i) such Notes have a maturity of not less than two years, (ii) the Issuer is not entitled to acquire such Notes before two years have elapsed since the relevant Issue Date and (iii) the Noteholders may not choose to redeem such Notes before one year has elapsed since the relevant Issue Date.

Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If the Notes are neither to be admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus would otherwise be required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

In these Terms and Conditions, "*euro*", "*EUR*", "*Eur*" and "*€*" mean the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION, TITLE AND TRANSFER

The Notes are represented in dematerialised book-entry ("*forma escritural*") form in the currency (the "*Specified Currency*") and the denominations (the "*Specified Denomination(s)*") specified in the applicable Final Terms and can either be *nominativas* (in which case Interbolsa, at the request of the Issuer, can ask the Affiliate Members of Interbolsa for information regarding the identity of the Noteholders and transmit such information to the Issuer) or *ao portador* (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Title to the Notes held through Interbolsa (each a "*Note*") will be evidenced by book-entries in accordance with the Portuguese Securities Code and the regulations issued by the CMVM, by Interbolsa or otherwise applicable thereto. Each person shown in the book-entry records of an Affiliate Member of Interbolsa as having an interest in the Notes shall be deemed to be the holder of the principal amount of the Notes recorded.

Title to the Notes is subject to compliance with all rules, restrictions and requirements applicable to the activities of Interbolsa.

One or more certificates in relation to the Notes (each, a "*Certificate*") will be delivered by the relevant Affiliate Member of Interbolsa in respect of a registered holding of Notes upon the request by the relevant Noteholder and in accordance with that Affiliate Member of Interbolsa's procedures pursuant to article 78 of the Portuguese Securities Code.

The Notes will be registered in the relevant issue account of the Issuer with Interbolsa and will be held in control accounts opened by each Affiliate Member of Interbolsa on behalf of the Noteholders. The control account of a given Affiliate Member of Interbolsa will reflect at all times the aggregate principal amount of Notes held in the individual securities' accounts of the Noteholders with that Affiliate Member of Interbolsa.

The person or entity registered in the book-entry registry of the Central de Valores Mobiliários (the "*Book-Entry Registry*" and each such entry therein, a "*Book Entry*") as the holder of any Note shall (except as otherwise required by law) 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 other interest therein).

The Issuer and the Paying Agents may (to the fullest extent permitted by applicable law) deem and treat the person or entity registered in the Book-Entry Registry as the holder of any Note and the absolute owner for all purposes. Proof of such registration is made by means of a Certificate issued by the relevant Affiliate Member of Interbolsa pursuant to article 78 of the Portuguese Securities Code.

No Noteholder will be able to transfer Notes, or any interest therein, except in accordance with Portuguese law and regulations. Notes may only be transferred in accordance with the applicable procedures established by the Portuguese Securities Code and the regulations issued by the CMVM or Interbolsa, as the case may be, and the relevant Affiliate Members of Interbolsa through which the Notes are held.

References to Interbolsa shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system.

2. STATUS OF THE NOTES

The Notes are direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) *pari passu* with all other present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, from time to time outstanding.

3. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding, the Issuer shall not create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Indebtedness (as defined below) or any guarantee or indemnity given in respect of any Indebtedness, without, in the case of the creation of an encumbrance or security interest, at the same time and, in any other case, promptly according to the Noteholders an equal and rateable interest in the same or providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Condition 3 shall prevent the Issuer from creating or permitting to subsist a mortgage, charge, lien, pledge or similar encumbrance or security interest upon a defined pool of its assets (not representing all of the assets of the Issuer) (including, but not limited to, receivables) (the "*Secured Assets*") which is or was created pursuant to any securitisation or like arrangement in accordance with normal market practice (whether or not involving the issue by the Issuer itself of asset backed securities) and whereby all payment obligations in respect of the Indebtedness or any guarantee or indemnity given in respect of the Indebtedness, as the case may be, secured on the Secured Assets are to be discharged solely from the Secured Assets.

As used herein:

"*Indebtedness*" means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) but excluding Covered Bonds:

(i) where more than 50 per cent. in aggregate principal amount of such bonds, notes, debentures or other securities are initially offered outside the Republic of Portugal by or with the authorisation of the Issuer; and

(ii) which are, or are intended to be or are capable of being, listed or traded on any stock exchange, over-the-counter or other organised market for securities (whether or not initially distributed by way of private placing).

"*Covered Bonds*" means any bonds or notes issued by the Issuer the obligations of which benefit from a special creditor privilege ("*privilégio creditório especial*") as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other loans permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation.

4. INTEREST

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. Interest will be calculated on the full nominal amount outstanding of the Fixed Rate Notes.

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

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

Interest shall be calculated in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Notes, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"*Day Count Fraction*" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

(i) if "*Actual/Actual (ICMA)*" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but

excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

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

In these Terms and Conditions:

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

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

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

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

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, "*Interest Period*" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). Interest will be calculated on the aggregate outstanding nominal amount of the relevant Notes.

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

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "*Business Day*" means a day which is:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Lisbon and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open; and

(C) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Notes

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

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

(B) Screen Rate Determination for Floating Rate Notes

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

(a) the offered quotation; or

(b) the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such

offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(2) If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(B)(1)(a), no offered quotation appears or, in the case of subclause 4(b)(ii)(B)(1)(b), fewer than three offered quotations appear, in each case as at the Specified Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

(3) If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to, if the Reference Rate is EURIBOR, the third decimal place, with 0.0005 being rounded upwards or, if the Reference Rate is not EURIBOR, to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

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

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

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "*Interest Amount*") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to, the aggregate outstanding nominal amount of the Notes and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"*Day Count Fraction*" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

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

(iii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iv) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"*Designated Maturity*" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and each stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 11 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 11. For the purposes of this paragraph, the expression "*London Business Day*" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and (in the absence of wilful default or bad faith) no liability to the Issuer or the Noteholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of interest

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

(1) the date on which all amounts due in respect of such Note have been paid; and

(2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11.

5. PAYMENTS

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the Noteholder with, or, at the option of the Noteholder, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and

(ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the Noteholder or, at the option of the Noteholder, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "*Code*") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(b) Payments in respect of Notes

Payment of principal and interest in respect of Notes (i) in euros will be (a) credited, according to the procedures and regulations of Interbolsa, by the Portuguese Paying Agent acting on behalf of the Issuer from the payment current account which the Portuguese Paying Agent has indicated to, and has been accepted by, Interbolsa to be used on the Portuguese Paying Agent's behalf for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Interbolsa Notes and thereafter (b) credited by such Affiliate Members of Interbolsa from the aforementioned payment current accounts to the accounts of the owners of those Interbolsa Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the beneficial owners of those Interbolsa Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be (ii) in currencies other than euros in respect of the Interbolsa Notes will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the Portuguese Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the owners of those Interbolsa Notes or through Euroclear and CBL to the accounts with Euroclear and CBL of the beneficial owners of those Interbolsa Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or CBL, as the case may be.

The holders of Notes are reliant upon the procedures of Interbolsa to receive payment in respect of Notes.

(c) General provisions applicable to payments

The Issuer will be discharged by payment to Interbolsa in respect of each amount so paid. Each of the entities shown in the records of Interbolsa as the beneficial holder of a particular nominal amount of Notes must look solely to Interbolsa for his share of each payment made by the Issuer to, or to the order of such entity.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(d) Payment Day

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "*Payment Day*" means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the case of Notes in definitive form only, the relevant place of presentation each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open and Interbolsa, CBL and/or Euroclear, as the case may be, are open for general business.

(e) Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)); and

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. REDEMPTION AND PURCHASE

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

Subject to Condition 6(e), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if such Note is not a Floating Rate Note) or on any Interest Payment Date (if such Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed will be selected in accordance with the rules of Interbolsa.

(d) Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 11 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Portuguese Paying Agent of such exercise in accordance with the standard procedures of Interbolsa in a form acceptable to Interbolsa from time to time (a "*Put Notice*") and, at the same time present or procure the presentation of a Certificate to the Portuguese Paying Agent.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 9:

(i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(ii) each Zero Coupon Note, will be redeemed at an amount (the "*Amortised Face Amount*") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^{y}$$

where:

"*RP*" means the Reference Price;

"*AY*" means the Accrual Yield expressed as a decimal; and

"*y*" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of twelve months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii)

Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(f) Purchases

The Issuer or any subsidiary of the Issuer may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, cancelled by Interbolsa.

(g) Cancellation

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (f) above cannot be reissued or resold.

(h) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11.

7. TAXATION

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Tax Jurisdiction unless such withholding or deduction is required by law or regulation. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in relation to any payment in the absence of such withholding or deduction; except that no such additional amounts shall be payable:

(i) to, or to a third party on behalf of, a Noteholder in the Tax Jurisdiction; and/or

(ii) to, or to a third party on behalf of, a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; and/or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or

(iv) to, or to a third party on behalf of, a Noteholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a Member State of the European Union; and/or

(v) where the relevant Certificate is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(d)); and/or

(vi) to, or to a third party on behalf of, a Noteholder in respect of whom the information required in order to comply with the Decree-Law 193/2005, of 7 November 2005, as amended (the "*Decree-Law*"), and any implementing legislation, is not received by no later than the second ICSD Business Day prior to Relevant Date, or which does not comply with the formalities in order to benefit from tax treaty benefits, when applicable; and/or

(vii) to, or to a third party on behalf of, a Noteholder resident for tax purposes in the Tax Jurisdiction, or a resident in a tax haven jurisdiction as defined in Ministerial Order 150/2004, of 13 February 2004 (*Portaria do Ministro das Finanças e da Administração Pública n. 150/2004, as amended*) with the exception of (a) central banks and governmental agencies, as well as international institutions recognised by the Tax Jurisdiction, of those tax haven jurisdictions, and (b) tax haven jurisdictions which have a double taxation treaty in force or a tax information exchange agreement in force with Portugal; and/or

(viii) to, or to a third party on behalf of (a) a Portuguese resident legal entity subject to Portuguese corporation tax (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions) or (b) a legal entity not resident in Portugal acting with respect to the holding of the Notes through a permanent establishment in Portugal (with the exception of entities which benefit from a Portuguese withholding tax waiver).

For the purposes of this Condition 7:

"*ICSD Business Day*" means any day which:

(i) is not a Saturday or Sunday; and

(ii) is not 25 December or 31 December.

For the purposes of these Conditions:

"*Relevant Date*" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Portuguese Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 11.

"*Tax Jurisdiction*" means the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax.

8. PRESCRIPTION

Claims for principal and interest in respect of the Notes shall become void unless the relevant Certificates are surrendered within 20 years and 5 years respectively of the Relevant Date (as defined in Condition 7).

9. EVENTS OF DEFAULT

If any one or more of the following events (each an "*Event of Default*") shall occur and be continuing with respect to any Note:

(i) the Issuer fails to make payment in the Specified Currency of any principal or interest due in respect of the Notes and such failure to pay continues, in the case of principal, for a period of 7 days or, in the case of interest, for a period of 14 days; or

(ii) the Issuer defaults in the performance or observance of or compliance with any other obligation on its part in respect of the Notes and (except where such default is not capable of remedy, where no such notice shall be required) such default shall continue for a period of 30 days after written notice of such default shall have been given to the Issuer by a holder of the Note; or

(iii) bankruptcy or insolvency proceedings are commenced by a court against the Issuer, or the Issuer institutes such proceedings or suspends payments or offers or makes a general arrangement for the benefit of all its creditors; or

(iv) any order shall be made by any competent authority or resolution passed for the dissolution of the Issuer, except a dissolution for the purposes of or pursuant to a reorganisation, merger, consolidation or amalgamation whereby the continuing entity or entity formed as a result of the reorganisation, merger, consolidation or amalgamation effectively assumes the entire obligations of the Issuer under the Notes; or

(v) the repayment of any Indebtedness for Borrowed Money (as defined below) owing by the Issuer is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any Indebtedness for Borrowed Money or in the honouring of any guarantee or indemnity in respect of any Indebtedness for Borrowed Money provided that no such event referred to in this subparagraph (v) shall constitute an Event of Default unless the Indebtedness for Borrowed Money whether alone or when aggregated with other Indebtedness for

Borrowed Money relating to all (if any) other such events which shall have occurred shall exceed EUR 25,000,000 (or its equivalent in any other currency or currencies),

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6(e), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition 9:

"*Indebtedness for Borrowed Money*" means any present or future indebtedness for or in respect of (i) money borrowed, or (ii) any notes, bonds, debentures, loan stock or other securities offered, issued or distributed whether by way of public offer, private placement, acquisition consideration or otherwise and whether issued in cash or in whole or in part for consideration other than cash.

10. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be a Paying Agent with its specified office in a country outside the Tax Jurisdiction; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in Portugal capable of making payment in respect of the Notes as contemplated by these terms and conditions of the Notes, the Agency Agreement and applicable Portuguese law and regulation.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(c). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 11.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

11. NOTICES

All notices regarding the Notes will be deemed to be validly given on the date of such publication if published (i) in a leading newspaper of general circulation in Portugal (which is expected to be *Diário de Notícias*) or by any other way which complies with the Portuguese Securities Code and Interbolsa's rules on notices to investors, notably the disclosure of information through the CMVM official website (www.cmvm.pt), and (ii) if and for so long as the Notes are admitted to trading on, and listed on the official list of the Luxembourg Stock Exchange, and as long as the rules of such exchange so requires in a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* or the *Tageblatt* or any other applicable leading daily newspaper having general circulation in Luxembourg. So long as the Notes are listed on the official list of the Luxembourg Stock Exchange, the Issuer will also request that notices to holders of the Notes be published on the website of the Luxembourg Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed or by which

they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers, and, in the case of publication on the website of the Luxembourg Stock Exchange, on the date of such publication.

Notices to be given by any Noteholder shall be in writing and may be given to the Portuguese Paying Agent through Interbolsa in such manner as the Portuguese Paying Agent, the Agent and Interbolsa may approve for this purpose.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

Meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation of any of these Terms and Conditions by Extraordinary Resolution (defined below) and the appointment or dismissal of a Common Representative are governed by the Portuguese Companies Code enacted by Decree-Law 262/86, of 2 September 1986, as subsequently amended (the "*Portuguese Companies Code*").

Meetings may be convened by the Common Representative (if any) or, if (i) no Common Representative has been appointed or (ii) if appointed, the relevant Common Representative has failed to convene a meeting, by the chairman of the general meeting of shareholders of the Issuer, and shall be convened if requested by Noteholders holding not less than 5 per cent. in principal amount of the Notes for the time being outstanding. The quorum required for a meeting convened to pass a resolution other than an Extraordinary Resolution will be any person or persons holding or representing Notes then outstanding, regardless of the principal amount thereof; and the quorum required for a meeting convened to pass an Extraordinary Resolution will be a person or persons holding or representing at least 50 per cent. of the Notes then outstanding or, at any adjourned meeting, any person or persons holding or representing any of the Notes then outstanding, regardless of the principal amount thereof.

The number of votes required to pass a resolution other than an Extraordinary Resolution is a majority of the votes cast at the relevant meeting; the majority required to pass an Extraordinary Resolution, including, without limitation, a resolution relating to the modification or abrogation of certain of the provisions of these Conditions, is at least 50 per cent. of the principal amount of the Notes then outstanding or, at any adjourned meeting, two-thirds of the votes cast at the relevant meeting. Resolutions passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting or have voted against the approved resolutions.

"*Extraordinary Resolution*" means a resolution passed at a meeting of Noteholders in respect of any modification or abrogation of any Condition (including without limiting, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes).

The Agent and the Issuer, may agree, without the consent of the Noteholders to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes or Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 11 as soon as practicable thereafter.

13. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

14. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing law

The Notes shall be construed in accordance with Portuguese law.

(b) Submission to jurisdiction

The Issuer agrees, for the exclusive benefit of the Noteholders that the courts of Portugal are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and that accordingly any suit, action or proceedings (together referred to as "*Proceedings*") arising out of or in connection with the Notes may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the Portuguese courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

15. COMMON REPRESENTATIVE

The holders of the Notes shall at all times be entitled to appoint and dismiss a Common Representative by means of an Extraordinary Resolution. Upon the appointment of a new Common Representative by the holders of the Notes pursuant to this Condition, any previously appointed and dismissed Common Representative will immediately cease its engagement and will be under the obligation immediately to transfer to the new Common Representative appointed by the holders of the Notes all documents and information then held by such Common Representative pertaining to the Notes.

As used herein, "*Common Representative*" means a law firm, an accountant's firm, a financial intermediary, an entity authorised to perform investor presentation services in any EU Member State or an individual person with full legal capacity (which is not a holder of Notes), which may be appointed by the holders of Notes under Article 358 of the Portuguese Companies Code.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by each Issuer for its general corporate purposes which include making a profit.

IMPORTANT DEFINITIONS

"*BST*" or the "*Bank*"	Banco Santander Totta, S.A.
"*BST Group*"	Banco Santander Totta, S.A., its consolidated subsidiaries and the holding company, Santander Totta, SGPS, S.A.
"*BTA*"	Banco Totta & Açores, S.A.
"*BTA Group*"	BTA and its consolidated subsidiaries
"*Santander Group*"	Banco Santander, S.A. and its consolidated subsidiaries
"*Totta Ireland*"	Totta (Ireland) p.l.c.

DESCRIPTION OF THE ISSUERS: BANCO SANTANDER TOTTA, S.A.

Incorporation and Registered Office

Banco Santander Totta, S.A. ("*BST*" or the "*Bank*") is a limited liability company (*sociedade anónima*) incorporated under the laws of Portugal with a registered and fully-paid share capital of EUR 1,256,723,284.00, represented by 1,256,723,284 ordinary shares with a nominal value of EUR 1 each, and registered in the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 844 321. BST's registered address is located at Rua Áurea, no. 88 in Lisbon, Portugal and its registered office telephone number is +351 21 3262031. BST was registered by deed on 19 December 2004. BST is a credit institution whose activities are regulated by the Credit Institutions General Regime (*Regime Geral das Instituições de Crédito e Sociedades Financeiras)*, approved by Decree-law 298/92, of 31 December 1992, as amended from time to time, and is subject to the Portuguese Companies Code (Decree-law 262/86, of 2 September 1986, as amended).

Information from third parties

Where information has been sourced from a third party, BST confirms that such information has been accurately reproduced and that, as far as BST is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

BST calculates its market share data using official sources of information, governmental or otherwise (as applicable). Where no official sources exist, BST relies on its own estimates.

Business overview

BST's commercial banking business is managed through its retail network. The investment banking and investment funds businesses of BST, formerly managed through Banco Santander de Negócios Portugal, S.A. ("*BSN*"), are now directly managed by BST, following BST's merger with BSN in May 2010. The specialised credit business (including leasing, factoring and consumer credit) is also directly managed by BST, following BST's merger with Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A. on 1 April 2011. The strategy of the BST Group is to position itself as a full service bank offering customers a full range of banking products.

The commercial banking business is divided into four core customer/business areas:

(i) individuals and self-employed;

(ii) small and medium-sized businesses;

(iii) corporate and institutional customers; and

(iv) high net worth individuals.

As of 31 December 2015, BST had a domestic network of 689 branches (compared to 555 in 31 December 2014) and a branch in London, as well as an offshore financial branch in the Autonomous Region of Madeira. BST has subsidiaries and representative offices abroad, as well as investments in subsidiaries and associated companies.

BST also has a long standing strategy to target the university market. It serves this market with branches located either within or near university campuses. In lower traffic sites BST also places small kiosks which serve its customers with limited services and shorter opening hours.

Economic and Financial Information in 2015

Consolidated Activity

Introduction

In a year still characterised by a difficult macroeconomic environment, BST demonstrated a capability of generating income, a capitalised balance sheet (with no need to use any public aid), and showed solvency and liquidity ratios above the required limits.

Given the resolution measure applied to Banif on 20 December 2015, which resulted in the acquisition by BST of a set of rights and obligations, comprised of assets, liabilities, off balance sheet items and assets under the management of Banif at the end of the year 2015, some of the financial information disclosed below does not include the effects of said acquisition of Banif. Such financial information is unaudited and has been extracted from BST's 2015 annual report.

For the year ending 31 December 2015, BST had a net income of EUR 284.9 million (excluding badwill and associated provisioning from the acquisition of former Banif), an increase of 72.5 per cent. compared with EUR 165.2 million in the year ending 31 December 2014, a 24 per cent. growth in revenues and 3.5 per cent. reduction in operating costs.

Following the resolution measure applied by the Bank of Portugal to Banif, at the end of December 2015, Banco Santander Totta acquired a credit portfolio amounting to EUR 6.5 billion and a deposit portfolio amounting to EUR 4.5 billion.

At 31 December 2015, the credit portfolio (gross value) stood at EUR 35.6 billion, a 28.2 per cent. increase relative to the previous year. Credit granted to corporates increased by 38.9 per cent. compared to the end of 2014. Credit granted to private individuals grew by 17.4 per cent. in the last year.

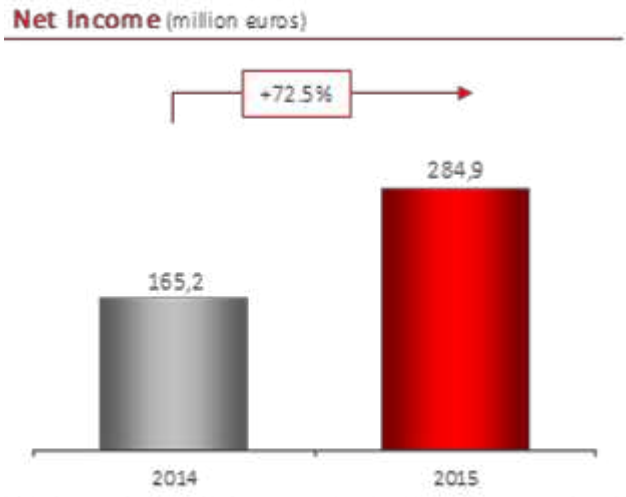
The credit at risk ratio decreased to 4.8 per cent. as at 31 December 2015, as compared to the 5.7 per cent. as at 31 December 2014, with a coverage ratio standing at 144 per cent. compared with 75.9 per cent. as at 31 December 2014.

Customer's resources amounted to EUR 31.9 billion as at 31 December 2015 (considering balance sheet and off-balance sheet resources), a 19 per cent. increase relative to 31 December 2014, with a deposits evolving by 25.4 per cent..

The loan-to-deposit ratio, measured by the proportion of net credit in deposits, stood at 114.8 per cent., as at 31 December 2015, an improvement over the 116.0 per cent. obtained in 2014.

The Common Equity Tier 1 ("*CET 1*") ratio, in line with the CRD IV/CRR rules applicable in 2015, reached 13.9 per cent. and was set at 14 per cent. on a fully implemented basis.

Net financing obtained with the Eurosystem stood at EUR 2.1 billion in 2015, a reduction of EUR 1.7 billion when compared to 2014. The portfolio of credits eligible as collateral in financing operations with the ECB amounted to a total of EUR 11.3 billion as at 31 December 2015.



Profit & Loss Account

PROFIT AND LOSS ACCOUNT* (million euro)

	2015	2014	2015/2014
Net Interest Income (without Dividends)	**560.0**	**543.5**	**+3.0%**
Dividends	1.2	1.2	-3.6%
Net Interest Income	**561.1**	**544.8**	**+3.0%**
Fees and Other Income	248.7	262.6	-5.3%
Commercial Revenue	**809.9**	**807.3**	**+0.3%**
Gains/Losses on Financial Transactions	300.2	87.7	+242.4%
Operating Income	**1,110.0**	**895.0**	**+24.0%**
Operating Costs	(469.9)	(487.2)	-3.5%
Net Operating Income	**640.1**	**407.8**	**+57.0%**
Impairment and Other Provisions	(236.2)	(192.5)	+22.7%
Results from Associated Companies	14.5	19.8	-26.7%
Income Before Taxes and MI	**418.4**	**235.0**	**+78.0%**
Taxes	(133.5)	(69.9)	+91.1%
Minority Interests	0.0	0.0	-17.6%
Net Income	**284.9**	**165.2**	**+72.5%**

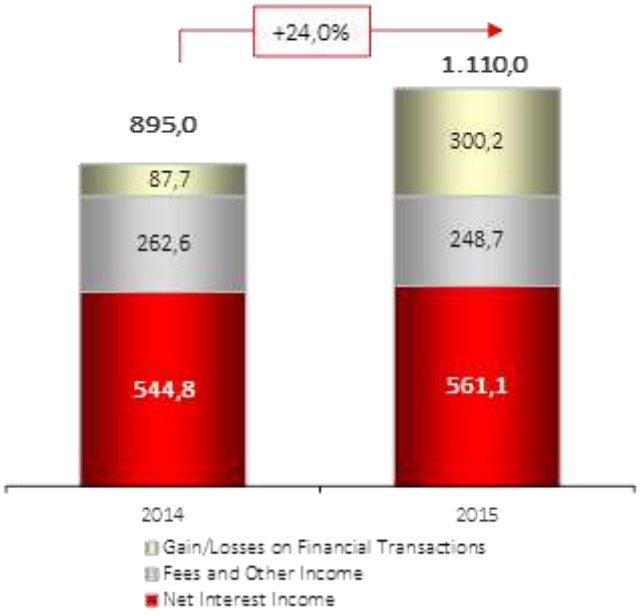
(*) Net income in Dec/15 does not include badwill and an associated restructuring provision regarding the acquisition of former Banif's Assets and Liabilities

Net interest income (without dividends) amounted to EUR 560 million at the end of 2015, a 3 per cent. increase when compared to the preceding year, deriving from an adequate management of assets and liabilities spreads, notwithstanding a reduced interest rate environment.

Net commissions and other results of the banking business amounted to EUR 248.7 million, with a 5.3 per cent. decrease as compared to the amount recorded in 2014 with an increase in commissions on accounts, on investment funds and on loans, although abated by commissions on means of payment, services and insurance.

Commercial revenue amounted to EUR 809.9 million in 2015, slightly above the value recorded at end 2014. Results of financial transactions amounted to EUR 300.2 million in 2015, a significant growth of 242.4 per cent. compared to 2014, reflecting the favourable impact of adjustments in the public debt portfolio, the exercise of the selling option of the shareholding in Partang (49 per cent.), which held a 51 per cent. shareholding in Banco Caixa Geral Totta Angola, in the terms of an agreement undertaken in June 2009, and the sale of the position in the “Multiobrigações” fund. Operating income amounted to EUR 1,100 million at the end of 2015, a 24 per cent. increase against the value recorded at the end of 2014, showing the progress obtained in net interest income and in the results of financial transactions.

Operating Income (million euros)



Total Operating costs totalled 469.9 million, a 3.5 per cent. reduction in the last year.

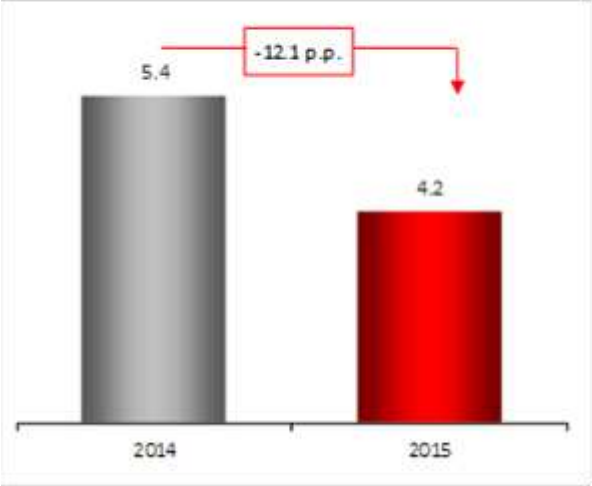
OPERATING COSTS AND EFFICIENCY

	2015	2014	2015/2014
Personnel Expenses	(275.6)	(281.6)	-2.1%
Other Administrative Expenses	(154.2)	(143.7)	+7.3%
Operating Costs	**(429.8)**	**(425.3)**	**+1.1%**
Depreciation	(40.1)	(61.9)	-35.1%
Total Operating Costs	**(469.9)**	**(487.2)**	**-3.5%**
Efficiency Ratio (excludes depreciation)	**38.7%**	**47.5%**	**-8.8 p.p.**
Efficiency Ratio (includes depreciation)	**42.3%**	**54.4%**	**-12.1 p.p.**

At the end of 2015, the efficiency ratio, which represents operating expenses as a percentage of operating income, stood at 42.3 per cent. decreasing by 12.1 p.p. compared with the value experienced in 2014.

Net operating income amounted to EUR 640.1 million in 2015, greater than the EUR 407.8 million recorded in 2014 (an increase of 57 per cent.).

Efficiency Ratio (%)



Total impairments and provisions stood at EUR 236.2 million, a 22.7 per cent. increase relative to the value booked in the same period of the previous year.

Results from associated companies recognised by the equity method, amounting to EUR 14.5 million, decreased by -26.7 per cent. compared to the value recorded in the last year, influenced by the disposal in July 2015 of the shareholding in Banco Caixa Geral Totta Angola.

Income before taxes and minority interests amounted to EUR 418.4 million and income from the business activity totalled EUR 284.9 million.

Balance Sheet and Activity

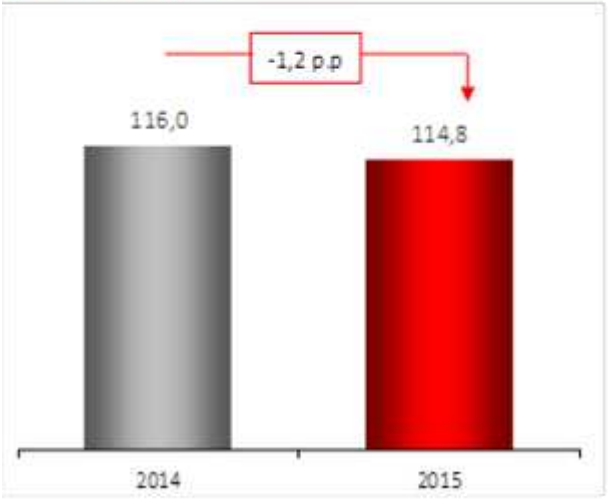
At the end of 2015, the volume of business amounted to a total of EUR 67.5 billion, a growth of 23.6 per cent. in comparison to the amount recorded at the end of 2014. This growth was due to the evolution evinced in Total Gross Loans (+28.2 per cent.) and customers' resources (+ 19.0 per cent.).

Business Volume (million euros)

	2015	2014	2015/2014
Business Volume	**67,520**	**54,610**	**+23.6%**
Total Gross Loans (includes guarantees)	35,587	27,769	+28.2%
Customers' Resources	31,933	26,841	+19.0%

The credit/deposits ratio stood at 114.8 per cent. in 2015, diminishing by 1.2 per cent. as compared to 116 per cent. recorded in 2014.

Credits/Deposits (%)



The credit portfolio (including guarantees and sureties) totalled EUR 35.6 billion at end 2015, a 28.2 per cent. increase relative to the homologous period. Credit granted to companies amounting to EUR 13.6 billion grew by 38.9 per cent., resulting from increases in new production and from the acquisition of the former Banifs' credit portfolio, this segment now represents approximately 40 per cent. of the total Santander Totta credit. Credit granted to private individuals stood at EUR 19.5 billion, an increase of 17.4 per cent. compared to end 2014. Home loans amounted to EUR 17.2 billion, an increase of 16.4 per cent. increase from last year, not just due to the incorporation of the former Banifs' portfolio, but also to the 101.8 per cent. increase in new loans, as compared with the amounts contracted in 2014, which abated the natural reduction resulting from repayments.

LOANS (million euros)

	2015	2014	2015/2014
Total Gross Loans (includes guarantees)	**35,587**	**27,769**	**+28.2%**
Gross Loans	**34,126**	**26,685**	**+27.9%**
of which			
Loans to Individuals	19,532	16,635	+17.4%
of which			
Mortgage	17,217	14,794	+16.4%
Consumer	1,937	1,381	+40.2%
Loans to Corporates	13,648	9,823	+38.9%

Credit at risk ratio stood at 4.8 per cent., a 0.9 per cent. reduction as compared to December 2014 and the respective coverage ratio stood at 144 per cent., as compared with 75.9 per cent. shown in the homologous period.

CREDIT RISK RATIOS

	2015	2014	2015/2014
Non Performing Loans Ratio	4.2%	4.4%	-0.2 p.p.
Non Performing Loans Ratio (+90 days)	4.1%	4.2%	-0.1 p.p.
Non Performing Loans and Doubtful Loans Ratio	4.1%	4.2%	-0.1 p.p.
Credit at Risk Ratio	4.8%	5.7%	-0.9 p.p.
Restructured Loans/ Total Loans	10.2%	9.4%	+0.8 p.p.
Restructured Loans not included in Credit at Risk/ Total Loans	8.4%	6.8%	+1.6 p.p.
Non Performing Loans Coverage Ratio	164.1%	99.6%	+64.5 p.p.
Non Performing Loans Coverage Ratio (+90 days)	168.9%	103.4%	+65.5 p.p.
NPL and Doubtful Loans Coverage Ratio	167.8%	102.5%	+65.3 p.p.
Credit at Risk Coverage Ratio	144.0%	75.9%	+68.1 p.p.

Total customers resources amounted to EUR 31.9 billion at the end of 2015, an increase of 19 per cent. when compared with the amount recorded in 2014.

Evolution in customers' resources was positively influenced by increases of 25.4 per cent. in deposits and 17.7 per cent. in investment funds by the Bank, compensating the decrease experienced in capitalisation insurance and other resources (-14.3 per cent.).

RESOURCES (million euros)

	2015	2014	2015/2014
Customers' Resources	**31,933**	**26,841**	**+19.0%**
On-Balance Sheet Resources	27,126	21,760	+24.7%
Deposits	27,126	21,626	+25.4%
Securities issued	0	134	-100.0%
Off-Balance Sheet Resources	4,806	5,082	-5.4%
Investment Funds	1,664	1,414	+17.7%
Insurance and Other Resources	3,142	3,667	-14.3%

Solvency ratios

Common Equity Tier 1 (CET 1) ratio, in line with the CRD IV/CRR rules applicable in 2015, reached 13.9 per cent., and standing at 14 per cent on a fully implemented basis, a value that benefits from the share capital increase carried out at year end.

CAPITAL (million euros)

	2015	2014	2015/2014
Common Equity Tier I	2,635	2,086	+26.3%
Tier I	2,841	2,467	+15.2%
Total Capital	2,915	2,467	+18.2%
Risk Weighted Assets (RWA)	18,919	16,102	+17.5%
CET I Ratio	13.9%	13.0%	+0.9 p.p.
Tier I Ratio	15.0%	15.3%	-0.3 p.p.
Total Capital Ratio	15.4%	15.3%	+0.1 p.p.

Business Areas overview

Commercial Banking

Private and Business

In 2015, the Bank guided its business activity in line with the strategic priorities and corporate culture of a Simple, Personal and Fair Bank. In a rationale of diversification of customers' savings portfolios, the Bank maintained its continuous offer of indexed deposits and investment funds, which resulted in a EUR 757 million increase in resources.

In the case of credit, and answering customers' needs of support for their projects, a 101.8 per cent. increase was recorded relative to the homologous period in the production of home loans and 4.4 per cent. increase in the production of personal loans. In the case of Business/SME credit there was a 23 per cent. growth in production relative to the homologous period, much sustained by the expansion in the credit worthy customer base, which allowed a positive evolution in this segment.

March 2015 was also marked by the launch of Mundo 1|2|3, a solution steered towards the Bank's private individuals which, in addition to the advantages of a combined account, can provide a further set of benefits, via cash-back in the Mundo 1|2|3 card account. At year end, more than 106,000 customers had adhered to the Mundo 1|2|3 account. This solution has allowed the Bank to increase the capture of new customers and strengthen relations with existing customers.

In the credit card heading a net variation of more than 40 thousand active cards was recorded. During the year more than 56 thousand credit card customers were recorded, as well as a 3.1 per cent. growth in the bound customer base.

With regard to investment funds marketed by Santander Totta, the total of assets under management in securities investment funds represented, at the end of 2015, a 13.2 per cent market share.

The range of Santander Select/Private funds recorded a growth of EUR 336.2 million. This series led the growth in funds in 2015 and its total volume rose to EUR 631.3 million.

Real estate investment funds amounted to a total of EUR 478.9 million, at the end of 2015.

Private Banking and Select

In the area of Private Banking, 2015 confirmed the soundness and the consistency of the service rendered to customers, based upon a differentiating business model, with great proximity and a wide range of financial solutions within an open design with the intent of fulfilling their financial needs.

The work developed throughout the year was also recognised by the market and its players, through the award of three prizes referenced in the industry, the Bank having been distinguished as comprising the best area of Private Banking operating in Portugal, in line with the opinions of the highly regarded editors of Euromoney, PWM/The Banker and Global Finance.

The Select brand, created for affluent private individuals and launched in February 2014, has been positioning itself in the market as a reference and as a partner in customers' projects. The commercial model was expanded in order to guarantee further cover and better quality of service. Simultaneously, BST is focusing largely in the streamlining of digital coverage, providing Select customers with a set of wider online functionalities.

Corporates

The corporates' segment continued deserving, in 2015, special regard in BST's global business, with the growth in the credit portfolio being maintained as the strategic axis in the Bank's activity. Within this scope,

and jointly with governmental bodies, several credit lines were made available throughout the year in support to companies' businesses with special regard to SMEs. The line of credit agreed with the European Investment Bank (EIB), amounting to EUR 200 million which commercialisation began in November 2014, intended to support SMEs, Mid-Caps and small and medium sized infrastructure of public sector bodies and public or private higher education establishments, was totally placed in the first half of 2015. On 27 November, BST renewed the partnership with EIB, subscribing a new line of credit amounting to EUR 500 million, with the freeing of a first tranche of EUR 200 million, of which EUR 168 million have already been placed with corporates.

In the SME Growth lines, BST continued maintaining a leadership position in the placing of these lines with companies. In the 2014 SME Growth line, the marketing of which ended on 30 April 2015, BST stood out as leader with an 18.5 per cent. share in the amount of financing of operations contracted with SME Investment operations. In the 2015 SME Growth line, which started in April 2015, the Bank also leads with a 19.4 per cent. share, corresponding to 2,029 operations comprised within SME investment, with a total of EUR 270 million in approved financing.

With the objective of strengthening its presence in the agro-food industry, considered essential for the growth of the Portuguese economy, the Bank launched, in the first quarter of the year, the "Agriculture Solution", with a competitive and differentiating offer of services. It is intended, with this offer, to support the normal business of primary sector companies, namely via the availability of short term lines with bonus provided by IFAP (Agriculture and Fisheries Financing Institute) to support agricultural campaigns and by advancing the value of aids to revenue established by the Common Agricultural Policy, and subscribed, for the purpose, a protocol with the Federation of Portuguese Farmers, intended to facilitate the access to such advances to the farmers which are members of the Confederation.

Together with these credit lines, and in order to maximise customer capture and their transaction possibilities, the Bank also made available, a campaign with the offer of a gift (a mini Ipad or a LED TV set) for the domiciling of these supports with the bank during two years in a current account with automatic cash management.

The Bank equally promoted a set of initiatives confirming its presence in this industry, namely the participation and sponsorship of the "Cycle of Conferences of the Vida Económica Magazine" where topics of interest and relevance for the industry were presented; the presence in fairs such as Ovibeja and National Farming Fair and the partnership with specialised consultants for the rendering of technical support to customers in the carrying out of their projects. In October, the Bank, in close cooperation with EDIA (Alqueva Development and infrastructure Company, SA), organised an entrepreneurial mission to the Alqueva complex, inviting more than 20 Portuguese and Spanish companies and farmers to take part, with the objective to become acquainted with the potential for agricultural and agro-industrial investment in the area of intervention in the Alqueva hydro-agricultural complex.

For the support of investment projects possible to become framed in the programme of incentives to economic investment and job creation - Portugal 2020 - BST launched an integrated solution comprising a set of financial products, specifically through advances of the incentives approved by the medium/long term financing line to supplement the sources of finance for the projects, and by a line of bank guarantees to be rendered to the management bodies of Portugal 2020. Within this range, partnerships were also established with the more relevant consultants to provide support to companies, with the aim to disseminate and explain the details of the Portugal 2020 programme.

The Santander Advance, a programme launched at the end of 2014, and which offered companies, with distinctive market originality, an integrated set of financial and non-financial solutions, consolidated in 2015 this BST brand with the companies segment. The Advance credit line with an interest rate bonus due to subscribing the Bank's products and services provided finance to 1,630 companies amounting to a total of EUR 45.6 million.

Specialised credit recorded a 72 per cent. growth in production relative to 2014, with special regard to real estate leasing, supported both by the recovery in this business, as well as by the divestment in real estate. Also to be noted was the positive evolution in the production of automobile leasing (+76 per cent.) and equipment (+53 per cent.), resulting from the moderate economic recovery.

During 2015, Banco Santander Totta developed new technological solutions which allowed improvement in the quality of products, solutions and services which it makes available to its customers with external business and by widening their distribution channels. Highlighted are the Trade Finance electronic platform as well as the factoring and confirming solutions in euros and other currencies.

In partnership with international organisation, namely the International Chamber of Commerce, several workshops were set up intended for companies in which practical topics were dealt with related to exports and imports, as for instance incoterms, contracts, customs issues, among others.

The Bank has been consolidating its standing in the Portuguese market as one of the main banks supplying international banking products and services, having been singled out, in 2015, with the “Best Trade Finance Bank Award” attributed by Global Finance.

Promoters and brokers

The Channels of External Promoters and Real Estate Brokers were the object, in 2015, of emphasised growth in the production of home loans which largely overcame all the objectives set.

Several factors contributed towards these results, namely the Bank’s greater appetence in credit capturing, a more favourable environment in the real estate industry and sound work carried out in streamlining the network of real estate brokers with whom the Bank has established protocols.

Many partnerships were reactivated and others established, in 2015, with new real estate brokerage companies. Just like in previous years, the Bank was strongly represented in the annual conferences of the main real estate brokers, participating, again in the SIL – Portuguese Real Estate Exhibition with a stand almost exclusively dedicated to capture new home loan operations.

Although the focus in the second half year was mainly set on the capturing of customers and operations via the broker’s channel, the regard given to external promoters was not minimally affected. A proximity policy was maintained with these partners who also achieved excellent results in home loans, supplemented by very positive contributions in business features such as personal credit and credit to companies, and also in binding features such as the transforming/capturing of Mundo 1|2|3 and digital customers.

Still concerning the project of promoter outlets, 26 more were opened in the second half year, thus reaching a total of 50 openings in the year, the Bank now having 320 outlets in operation. This outlet network, which supplements the branch network, has been experiencing sustained growth, more than ever contributing towards capturing business and customers.

Complementary Channels

2015 provided continuity to the implementation strategy of the Multichannel Transformation Plan incorporating the positioning established by the Group for direct channels with the objective of being nearer to its customers and more than ever enabling the digital offer of the Bank’s services.

In this context, a number of undertakings and improvements was implemented, with the objective to widen the offer and to substantially improve the customers’ experience with faceless channels.

Self-banking

The SelfBanking activity was focused on the placing in practice of the strategy and action plans established for the increase in business, for the service rendered to the customer and for the increase in the use of automatic equipment.

The launching of the streamlining plan for the use of equipment, which aimed to supply training to, and acquaint the branches with the functionalities and benefits of customer service, and the increase in the number of new functionalities, amongst which stands out the forwarding, by electronic mail, of the digital receipt of operations carried out, strengthened the offer of customer services.

Continuity was equally provided to the plan for the renewal of electronic equipment, with the replacement of more than 80 items installed in branches. Within technological innovation, the project for ATMs enabled to re-circulate deposited banknotes was consolidated, with 20 items of equipment with this capability installed in 2015.

The number of ATM's in the Multibanco network decreased slightly; however, market shares continued stable as compared with the previous year, with figures of 12 per cent. in number of ATMs and 13 per cent. in number of operations (*Source: SIBS*).

Internet Channels (Netbank)

The NetBanco Private, the channel with largest focus on sales and an integral part of customer relations, the highlight goes to the enlargement in the offer of autonomous insurance for contracting and the possibility of contracting financial insurance. The introduction of regulatory updates to comply with legal requisites is also part of the set of alterations carried out. In Private Mobile, the year was highlighted by primordial developments in the Mobile channel. An App was launched with a modern design and simple and intuitive surfing, fully renewing all the bank's image in the available digital service via tablets and smartphones. In addition to improvements in design and surfing, new functionalities were introduced, such as the possibility of access through a PIN code, buttons for swift access to the more common banking operations and an optional "confidential mode" that inhibits the availability of account balances. The new App was also launched with a Portuguese and English version.

A Smart Watch was also launched – which allows consulting balances and operations in this type of device.

A clear stake was placed in the NetBanco Corporate platform, namely in its transactional, design and surfing possibilities, with levers for the capturing and binding of company customers. Standing out amongst the main achievements are the redesign of the platform, the new card functionalities, the widening of the offer of digital documents (TPA statements, guaranteed current account, etc.) and circulating balances and alerts.

The number of users of digital channels experienced a positive evolution in 2015, with the highlight going to the Mobile channel with an annual growth in excess of 80 per cent., result of the great effort placed on the improvement of this channel.

Contact Centre

In 2015, the Santander Totta Contact Centre was considered the "Best Contact Centre in the Portuguese Financial Sector", the prize attributed by the Portuguese Contact Centre Association.

The Contact Centre has strengthened the investment placed in the increase of its autonomy and in the swift resolution of all the situations put forward by the customers. All customers' requests even if outside the scope of the Contact Centre, are followed by the competent areas and swiftly resolved.

Several actions were launched in the Corporate and Business segments, amongst which stands out the launching of the Corporate Service Centre whose objective is to guarantee the following up of all the operational requests that company customers usually place with the Corporate Commercial Departments

and, simultaneously, to ensure a swifter answer and improved customer experience. This project is still in the pilot stage, currently with four Corporate Commercial Departments.

The systematic generation of commercial leads for the branch network was strengthened, following the detection of sales opportunities in customer contacts.

The Contact Centre set up a team of specialists to support customers and employees in Mundo 1|2|3 which also ensures attendance to contact requests placed with the site.

Social Networks

The number of fans of the Bank's institutional Facebook page increased by 185,853 in 2105, allowing the Bank to reach 250,000 fans and thus the Portuguese Bank with the greater number of Facebook fans. This annual growth (285 per cent.) was achieved with the reinforcement of publicity in Facebook and with the launching of pastimes and sundry initiatives.

Standing out in the main actions carried out in 2015 was the strong support provided to the launching of Mundo 1|2|3. This was the target of transversal communication in the social networks, with special regard to the dissemination of the campaign video in YouTube and in Facebook and, since it's launching, a weekly pastime dedicated to Mundo 1|2|3.

The Bank is currently present in six social networks: Facebook, Twitter, LinkedIn, YouTube, Instagram and Google+.

International Business/Activity

The business volume in the Foreign Residents area showed good growth levels, signalling the trust placed by customers with the Bank and, similarly to previous years, a relevant growth was experienced in the capture of new customers.

Commercial strategy was focused on security and profitability, with conditions adequate to the market situation, and thus allowed a growth in the volume of resources and transfers, with the credit portfolio showing encouraging signals in the reversion of the reduction trend in spite of repayments.

Within the greater proximity strategy, strong support was maintained by external units to the Portuguese who work and reside abroad, thus guaranteeing an offer of services amongst which stands out the streamlining of the APP, Mobile and Netbanco, in addition to the diversification in savings products linked with the commercial network in Portugal.

Similarly to the previous year and linked with the newspaper with the largest circulation in the communities, the "Mundo Português", interviews were conducted with the officers responsible for the Bank's commercial areas in order to highlight the offer of services.

In support to the communities in the countries where Santander Totta is represented meetings with customers were held, in 2015, in Zurich, Geneva, London, Paris and Lyon, in which it was possible to dialogue and endeavours made to transmit the Bank's values and its availability to support the community.

The Summer 2015 campaign was carried out and evinced great receptivity and satisfaction from customers. Offers were prepared valuing national products with specialised attending and great proximity in the branches with greater preponderance in the segment.

Communications campaigns were also carried out in airports and in the main branches, encouraging customers to transfer funds to Portugal in which a strong growth (35 per cent.) was experienced. Equally to be highlighted in 2015 were the very significant exchange rate changes in Switzerland over which the central bank had no further interference.

The commercial activity of the London branch maintained its focus on relations with the Portuguese residing in the United Kingdom, with special regard to the capture of new customers and in support for transfers.

Global Corporate Banking

The Financing Solutions & Advisory area developed, in 2015, intense activity, accompanying companies' trends in discovering new investment opportunities, with highlights for the following operations: (1) Consultancy and financing in the acquisition of the Vilamoura Resort by Lonestar; (2) Financing of the privatisation of the Lisbon Oceanário (Aquarium); (3) Financing the privatisation of EGF (*Empresa Geral de Fomento*); (4) Consultancy in the ENEOP2 asset split; (5) Consultancy to First State Investments in the acquisition of Finerge and in the structuring and setting up of the financing of the operation; and (6) Consultancy to Lancashire County Pension Fund in the acquisition of a minority share in the portfolio of wind energy assets of EDF Energie Nouvelles in Portugal.

The Fixed Income & FX (FIC) area has been supporting Portuguese companies through the presentation of solutions for the mitigation of financial risks, namely interest rate and Exchange rate risks. In this area, the Bank has made available specialised accompaniment, comprising the market perspectives in the different alternatives of risk management, both in the interest rate feature and in the support provided to international trade and external investment. As such, the support provided to the internationalisation of domestic companies should be highlighted, namely: (1) by reinforcing the stake placed on products that improve efficiency in the management of the Exchange rate risk and, (2) by the greater proximity to importing and exporting companies aiding the management of flows arising out of their trade.

In the Structured Products area, 2015 recorded a fair performance in the marketing of liability products. Nineteen structured products were issued during the year, of which fifteen were euro denominated products amounting to a total of EUR 899 million and 4 US Dollar denominated products amounting to a total of USD 57.3 million. The isssues placed in this period are indexed to different assets transacted in equity markets in diverse geographical locations.

Risk Management

For BST, the quality of risk management is a fundamental basis of operation, within the corporate policy of the Group in which it is comprised. Prudence in risk management allied to the use of advanced management technologies has been a decisive factor in the achievement of the Bank's objectives.

Credit Risk

Main vectors of activity

In 2015, the activity of the area of Credit Risks had the following main vectors:

- maintenance of the segmentation principle in the treatment of credit risks, varying the approach to risks in line with customers' profiles and products' features;
- reinforcement of the strictness in the admission criteria and consequently in the quality of the risks accepted in each of the segments aiming to preserve the loan portfolio quality;
- concerning standardised risks customer proximity was intensified in order to anticipate their credit requirements, review their credit lines and foresee possible issues in their repayment capability;
- this action and the level of the customers' credit quality allowed maintaining non-performing loans and credit at risk ratios significantly below the average of the industry. On another hand, support levels to the business in the capture of good risk customers were intensified and improvements were implemented in the procedures with the objective to swiftly and effectively provide answers to customers' requests;
- as to the following up function of portfolios and customers, permanent focus was kept in the checking of lower rated segments and in sectors that are being more affected by the macroeconomic environment with the objective of mitigating the non-performing loans ratio. Permanent reviews

carried out in all the portfolios allowed concluding that the portfolio is being analysed with adequate criteria and that the level of estimated impairment is equally adequate;

- several measures were implemented in the management of the admission process of new credits, with the objective of improving the quality of service rendered to customers whenever they present new credit opportunities;
- with massive treatment (or non-standardised) risks the Bank, aiming towards continuous improvement and efficiency in the admission procedures, and taking into account the objective of portfolio quality, maintained the automatic decision models, namely scorings and behavioural systems used in the Private individuals and Business segments;
- still considering the massive treatment risks, focus was kept on maintaining the quality of the portfolio, acting upon the slowdown in management and non-performing loans and continuing to provide a set of products and solutions for debt restructuring which allow adapting customers' expenditure to their current and future repayment capability and available income;
- with this in mind adequate admission strategies are being defined in the Bank's decision system and behavioural systems are used to identify prevention and reappointment measures to be offered to customers;
- with the objective to strengthen the commercial involvement and customer cross selling and simultaneously energise the capturing of new customers, several commercial campaigns were continued directed towards the Business segment, aiming for the production of new credit and the retaining of customers and ongoing operations, in order to compensate the natural erosion of this portfolio;
- in an adverse macroeconomic scenario, where the ratios of non-performing loans are still significant, a strong focus was placed on the recoveries activity level, strengthening the swiftness of intervention. To be highlighted is the activity carried out in the management of massive recoveries whilst simultaneously keeping, a permanent follow up of special cases and judicial or extra judicial procedures;
- Also continued was the negotiation policy aiming to resolve the number of pledges in order that, when these occur, preference is given to obtain this type of payment in lieu of judicial court actions
- The process of modernisation of the Recoveries area was continued, also based on computer developments judiciously signalled by the users as necessary and that aim to control the total process from the entrance into recoveries, and cover relations with attorneys and executive actions;
- surveillance continued on working methodologies aiming to optimise the several procedures with the objective to "stress" the model, increasing the efficiency of resources and the effectiveness of actions to allow anticipating credit recovery;
- Considering risk control and consolidation, permanent focus was maintained on the insight and follow-up of the credit portfolio, aiming towards a strict risk control, endeavouring to provide adequate and timely management information, in order to allow measures to be taken for the correct management of the Bank's risks; and
- attention was equally kept on the Bank's internal models, most of which already recognised (by the regulators) as advanced models (IRB), for the purpose of calculating the requirement of own resources as well as their increasing integration in management.

Risk model

Introduction to the treatment of credit risk

Credit risk arises from the possibility of losses resulting from total or partial non-performance of the contractual financial obligations between BST by and its customers.

The organisation of the credit risk function in BST is specialised in line with customer types and is differentiated, throughout all the risk management process, between customers in portfolio and standardised customers (not in portfolio):

- customers within the portfolio are those that, fundamentally due to the assumed risk, have been attributed a risk analyst. Included in this group are companies from the wholesale banking groups, financial institutions and some of the companies from the retail banking groups. Risk assessment of these customers is carried out by the analyst, and complemented by decision supporting tools based on internal models of risk evaluation;

- standardised customers are those that have not been assigned a specific analyst. Included in this group are risks associated with private customers, self-employed entrepreneurs, and companies from the retail banking groups that are not included in the portfolio. Assessment of these risks is based upon internal models of valuation and automated decision supplemented by specialised risk analysis teams when the model is not sufficiently accurate.

Rating/scoring tools

BST uses its own models for attributing solvency classification or internal ratings for the different customer segments, to measure the credit capacity of a customer or a transaction with each rating corresponding to a probability of non-performance.

Global classification tools are applied to country risk segments, financial institutions and wholesale banking groups, both in determining their rating in following up the risks assumed. These tools attribute a rating to each customer as a result of a quantitative, or automatic, module, based upon balance sheet data and/or ratios, or macroeconomic variables complemented by the analysis carried out by the risk analyst that follows up the customer.

In the case of companies and institutions comprised in retail banking groups, the ascribing of a rating is based on the same modules as those referred above, in this case quantitative or automatic (analysing the credit behaviour of a sample of customers and its correlation with a set of accounting data and ratios), and qualitative, in line with the analysis of the risk analyst, whose duty is to carry out a final revision of the attributed rating.

Attributed ratings are periodically revised, incorporating any new financial information that has meanwhile become available as well as, qualitatively, the experience deriving from the existing credit relationship. This periodicity increases in case of customers for which the internal alert systems and risk classification so demand.

For the portfolios of standardised risks, both in the case of private customers and in businesses without portfolios, scoring tools are implemented to automatically assign an evaluation/decision of the transactions submitted. These decision tools are complemented by a behavioural scoring model, a device that allows a greater predictability of the assumed risks and is used both in the pre-sale and in the sale period.

Credit risk parameters

The evaluation of a customer and/or operation, through rating or scoring, is an assessment of credit capacity, which is quantified through the probability of default ("*PD*"). In addition to the evaluation of the customer, the quantitative risk analysis considers other features such as the period of the operation, the type of product and the existing guarantees. As such, what is taken into account is not just the probability that the customer may not comply with his contractual obligations (PD), but also the exposure at default ("*EAD*") as well as the percentage EAD that may not be recovered (loss given default or "*LGD*").

These factors (PD, LGD and EAD) are the main credit risk parameters and, when taken jointly, allow an estimate of the expected loss or that of the unexpected loss. The expected (or probable) loss, is considered as a further activity cost (reflecting the risk premium), and this cost duly included in the price of the operations.

The estimate of the unexpected loss, which is the basis for establishing the regulatory capital in line with standards comprised in the Basel (BIS II) capital agreement, is related to a very high and thus improbable loss level which, considering its nature, is not accepted as recurrent and must thus be covered by the equity.

In small and medium sized enterprises, the information obtained from their accounts is used not just to record a rating, but also to obtain explanatory factors for the probability of default. In retail portfolios, PD is estimated by observing entries into delay, and correlating these with the scoring attributed to the transactions. Excepted are the portfolios in which, due to lesser internal default experience, such as financial institutions, country risk or wholesale banking groups, estimating these parameters is based upon alternative sources of information or assessments made by agencies with recognised experience and skill, with a portfolio containing a sufficient number of bodies (these portfolios are known as low default portfolio).

LGD estimates are based on the observation of the recovery process of operations in default, taking into consideration not just revenues and expenses associated to this process, but also the moment when the same are produced and the indirect expenses that derive from the recovery activity.

EAD estimation is based upon the comparison of the use of the committed lines at the time of default with a normal situation, in order to identify the real consumption of the lines at the time of default.

The estimated parameters are immediately ascribed to operations that are normally under way and will be differentiated between low default portfolios and the remainder.

Credit risk cycle

The risk management process consists of identifying, measuring, analysing, controlling, negotiating and deciding the risks incurred in BST's operations.

This process commences in the business areas, which propose a given tendency to risk: These risks are analysed and decided by specific committees, which act with powers delegated by the Executive Committee on the Higher Credit Council ("*CSC*"). The CSC establishes risk policies and procedures and the limits and delegation of powers.

Planning and establishing limits

Establishing risk limits is conceived as a dynamic process that identifies the risk profile that BST is prepared to assume through the assessment of the business proposals and the Risks area recommendation.

Regarding large corporate groups, a pre-classification model is used based upon a system that evaluates economic capital.

With respect to non-standardised risks, the most basic level is that of the customer. When certain features coincide an individual limit is attributed, usually designated as pre-classification, through a more simplified system and usually for clients that comply with certain criteria (good knowledge of the client's business, rating, etc.).

With respect to standardised risks, the process of planning and establishing limits is carried out through a joint preparation, by the Risks and Business areas, of credit management programmes (CMP) where the results of the business in terms of risk and profitability are considered, as well as the limits to which the activity and associated risk management must be subject.

Risk assessment, decision on operations, follow up and control

Risk assessment is a prerequisite to the authorisation of any transaction in BST. This assessment consists of analysing the customer's capacity to comply with the contractual commitments assumed with BST, which implies analysing the customer's credit qualities, its credit transactions, its solvency and its profitability. Additionally, an assessment and revision of the rating is also carried out whenever an alert or event appears that may affect the customer and/or the operation.

The decision process on operations is intended to analyse these and to take the respective decision, considering the risk profile and the relevant components of the operation in determining a balance between risk and profitability.

In order to maintain adequate control of the portfolio's credit quality, in addition to the work developed by the internal auditors, a specific follow up function, made up by teams and responsible officers, is established within the Risks area, carried out by specific teams. This function is also divided in line with customer segmentation and is fundamentally based upon a continuous observation process that allows the prior detection of incidences that may occur in the evolution of the risk, of the operations and of the customer, with the objective to previously carry out the actions intended to mitigate such incidences.

Recoveries

Recoveries management in BST is a strategic, comprehensive and business activity. The specific objectives of the recoveries process are the following:

- ensure the collection or regulation of the payments in irregular situations, preferring the negotiated solution, in order that the customer's credit situation returns to normal. Should the negotiated position not be possible, the Recoveries area will then endeavour to process recovery through the courts; and
- maintain and strengthen the relationship with the customer helping it to abide by the commitments contractually assumed with BST.

Recoveries activity is structured in line with customers' commercial segmentation: Private, Business and Companies, with specific management models. The thus segmented recoveries management also respects the distinct management levels: preventive management, management of irregular situations and management of defaults and bankruptcies. All this activity is shared with the business areas.

Counterparty risk

The counterparty risk, which exists in all contracts carried out in financial markets either organised or over the counter ("*OTC*"), refers to the possibility of non-performance by the counterparties under the contracted terms and subsequent occurrence of financial losses for the institution.

Types of transactions comprised include the purchase and sale of securities, interbank money market transactions, "repos", security loans and derivative instruments.

Control of such risks is carried out through an integrated system that allows for the recording of the approved limits and provides information on their availability for different products and maturities. The same system also allows the control of risk concentration for certain groups of customers or counterparties.

Risk in derivative positions, known as Credit Risk Equivalent ("*REC*"), is the sum of the present value of each contract (or current replacement cost) with the corresponding potential risk, a component that reflects an estimate of the maximum expected value until maturity, according to the underlying market factors volatilities and the contracted flow structure.

Quantitative analysis of VaR throughout the year

In 31 December 2015 and 2014, Value at Risk (VaR) associated with interest rate risk corresponded to:

	2015	2014
VaR Percentil 99%	(4)	(1)
VaR Weighted Percentil 99%	(25)	(1)

Balance Sheet Risk

Control of balance sheet risk

The control of the balance sheet risk covers the risk deriving from changes in interest and foreign exchange rates, as well as the liquidity risk, resulting from maturity lags and appreciation of assets and liabilities. The measurement and control of the balance sheet risk are ensured by a body which is independent from the management.

Methodologies

The interest rate risk in the consolidated accounts is measured through the modelling of the items in assets and liabilities sensitive to interest rate variations in line with their indexing and re-appreciation structure. This model allows the measuring and control of the risks originating directly from the movement of the income curve, namely their impact on net interest income and on the Bank's equity.

As a complement, other risk indicators are estimated based on the equity, such as VaR and the stress test.

Liquidity risk is measured and controlled through the modelling of present and future flows of payments and receipts, as well as by carrying out stress test exercises which endeavour to identify the potential risk on external market conditions. In parallel, ratios are estimated on the current items in the accounts that are indicators of structural and short term liquidity requirements.

The control of the balance sheet risks is guaranteed through the application of a structure of quantitative limits which aim to keep exposures within the authorised levels. Limits are focused on the following indicators:

- Interest rate: sensitivity of net interest income and of the equity;
- Liquidity: stress scenarios and short term and structural liquidity ratios.

Structural balance sheet risk management

Interest rate risk

The interest rate risk in the consolidated accounts is measured through a model of dynamic risk analysis of the balance sheet's market risk, modelling the timing variations of risk factors and the Bank's positions over assets and liabilities sensitive to interest rate variations. The model in use allows the measuring and control of all the risks associated to the balance sheet's market risk, namely the risk originating directly from the movement of the income curve, given the structure of the indexing factors and existing re-appreciation, which determine the exposure to interest rate risk of the balance sheet components.

In 2015, the policy followed was to keep sensitivity at the levels considered as adequate.

Exchange rate risk

The exchange rate risk policy followed by the Group is based upon a low liquidity risk and on the continuous diversification of sources of finance, bringing into perspective the volume and nature of financial tools, to be used to allow the attainment and the best development of the established business plan.

Liquidity risk

By keeping to a conservative profile, we are better protected with respect to potential crises that may affect the environment.

The policy of a financing mix is always based on an adequate level of liquidity risk, in line with the established limits and will be assessed monthly by ALCO. The limits of liquidity risks are established by an independent management body which, apart from other indicators, demands a reasonable amount of available liquid assets.

Liquidity management is carried out at the consolidated level. The Group's financial policy takes into consideration the variations of the balance sheet components, the structural situations of the maturities of assets and liabilities, the level of interbank indebtedness relative to the available lines, the spread of maturities and the minimisation of expenditure related to the funding activity.

The structural liquidity situation is extremely balanced and the capital market operated regularly in 2015. In October 2015 Banco Santander Totta issued a EUR 750 million covered bond which was placed on the market in total.

Market risks

Activities subject to market risk

The segment of measurement, control and follow up of financial risks comprises the transactions where risks derive from the variation in market factors such as the interest rate, exchange rate, variable income and their respective volatilities as well as the solvency risk and the liquidity risk of the various products and markets in which BST operates (banking activity).

As a function of the risk objectives, activities are segmented as follows:

- Negotiation: This heading includes the activity of financial service rendered to customers;

- Balance Sheet Management: Interest rate and liquidity risk arise as a result of the timing differentials existing in maturities and re-pricing of assets and liabilities. Additionally, the active management of the credit risk inherent to BST's accounts;

- Negotiation activity. The methodology applied, within BST, for the negotiation activity, is the Value at Risk ("*VaR*"). Used as a basis is the methodology of Historic Simulation with a 99 per cent. level of confidence and a one day time horizon, with statistical adjustments applied that allow a swift and effective inclusion of the more recent events that condition the assumed risk levels.

- Stress testing, consisting in the definition of behavioural scenarios of different financial variables in order to obtain the respective impact on results when applying these to the portfolios, is used as a complement to VaR. These scenarios may replicate the behaviour of financial variables in the face of past factual events (such as crises) or, on the contrary, may determine plausible scenarios that do not correspond to past events. In short, the analysis of scenarios endeavours to identify the potential risk under extreme market conditions and on the fringes of occurrence probabilities not covered by VaR. Several sensibility measures (BPV and Greeks) and equivalent volumes are also estimated. In parallel, a daily monitoring of positions takes place, by carrying out an exhaustive control of the changes that occur in the portfolios, aiming to detect changes in profile or possible incidences for their correction. The daily preparation of the profit and loss account is a risk indicator, in the measure that it allows us to identify the impact of variations on financial variables or the changes in the make up of the portfolios. Calibrations and contrast measure (Back-testing).

Calibrations and contrast measure (Back-testing)

The reliability of the VaR model is periodically checked through back testing analysis. Back testing is a comparative analysis between the Value at Risk estimates and the daily "clean" trial balances (clean P&L - result related to the reassessment of the closing portfolios of the previous day at the closing prices of the following day), where the spot/sporadic variances of the recorded results compared to the estimated measures are analysed.

The back testing analyses carried out in BST comply with the BIS recommendations, as regards the comparison of the internal systems used in the measurement and management of financial risks. Additionally, back-testing includes hypothetical tests: excess tests, normality tests, measures of average excess, etc.

Limits

Quantitative limits for negotiation portfolios, which are classified in two groups, are established in line with the following goals:

- limits intended to protect the volume of potential future losses. Instances of such limits are VaR limits, over sensibility measures (BPV or Greeks) or over equivalent positions;
- limits intended to protect/accommodate the volume of effective losses or to protect levels of results already achieved during the period. These types of limits aim to generate alerts on positions that are generating losses (loss triggers), allowing decisions to be taken before the limit of maximum loss is reached (stop loss), from which point it will be considered that losses will have reached unacceptable levels and the positions will be immediately closed.

Operational Risk

Definition and objectives

BST defines operational risk as "the risk of loss arising from deficiencies or failures in internal procedures, human resources or systems, or derived from external circumstances". It distinguishes it from other types of risks, since it is not associated to products or business, but is present in processes and/or assets, and is internally generated (people, systems, etc.) or as a consequence of external risks such as third party activities natural catastrophes.

Operational risk is inherent to all products, activities, processes and systems, and is generated in all business and support areas. For this reason employees are responsible to manage and control operational risks generated in their areas of activity.

The objective in the case of control and management of operational risk is focused on the identification, measurement, assessment, control and mitigation and information concerning that risk.

The priority of BST is thus to identify and mitigate risk sources, independently from these having, or not, resulted in losses. Measurement may also contribute towards establishing priorities in the management of operational risk.

In order to calculate the requirements of own funds to cover operational risks, the Group opted, in a first stage for the standard method foreseen in the BIS II regulations.

Management model

The organisational management and control model results from the adaptation of the Group's approach to Basel II. Supervision and control of operational risk is practised through its governing bodies. As such, the Board of Directors and the Executive Committee periodically include in their agendas the treatment of relevant features in the management and mitigation of operational risk.

The management and control of operational risk is the responsibility of all the Bank's areas, since these have the better knowledge of the processes, as well as of those items that are susceptible to cause relevant exposures to operational risk, and are accompanied by a central area, responsible for the implementation and follow up of the project through control and supervision.

The different stages of the management model allow:

- to identify the operational risk inherent to all the Bank's activities, products, processes and systems;

- to define the objective profile of the operational risk by specifying unit strategies and time frame, through establishing the operational risk appetite and tolerance of the budget and its follow-up;
- to promote the involvement of all employees with the culture of operational risk adequate to all environments and organisational levels;
- to measure and assess the operational risk objectively, continually and coherently with the Basel II standards, define objectives and analyse the risk profile in line the respective limits;
- to continuously follow up exposures to operational risk with the objective to detect risk levels that have not been assumed;
- to establish mitigation measures which extinguish or minimise operational risk;
- to prepare periodical reports on the exposure to operational risk and its level of control to be forwarded to the Board and Areas, as well as to inform the market and supervising bodies.

The control model of the operational risk that was implemented has the following advantages:

- promotes the development of an operational risk culture;
- allows a comprehensive and effective management of the operational risk (identification, measurement/assessment, control/mitigation and information);
- improves the knowledge of both real and potential;
- operational risks and their being attributed to business and support lines;
- information on operational risk contributes towards improving processes and controls, reduce losses and revenue volatility;
- To carry out the identification, measurement and assessment of operational risk, a set of quantitative and qualitative techniques/tools were defined, which combine to obtain a diagnosis based on the identified risks and an evaluation through the measurement/assessment of each area.
- The quantitative analysis is fundamentally carried out via the tools that record and quantify the potential loss levels associated to operational risk events, namely:
- Internal data base, whose objective is to capture all operational risk events that may or not have impacts on the accounts. There are procedures of accounting reconciliation that guarantee the quality of information contained in the data base;
- External data base, which provides quantitative and qualitative information allowing a more detailed and structured analysis of relevant events occurred in the industry;
- Analysis of scenarios where opinions are obtained from the various lines of business, risks and control managers, with the objective to identify potential low probability events which could imply heavy losses to the institution. The possible impact is assessed and additional mitigation controls and/or measures identified which could reduce a possible heavy impact on the institution.

Qualitative analysis allows assessing aspects linked to the risk profile. Tools used are, fundamentally:

- Self-assessment of operational risk, with the main objective to identify and assess the operational risks with regard to existing controls and to identify mitigating measures should the risk levels not be acceptable;
- Indicators, which are statistics or parameters providing information on risk exposure. The indicators and respective limits are periodically reviewed, in order to be adjusted to reality; and
    - • Recommendations arising from auditors or regulators provide relevant information concerning risk, thus allowing identification of weaknesses and controls.

Compliance and Reputational Risk

Reputational risk is understood to be the probability of occurrence of negative financial impacts for the institution affecting the results or even its share capital, resulting from an unfavourable perception of its public image, whether proven or not, from customers, suppliers, analysts, employees, investors, media and any other bodies with which the institution may be related, or even by public opinion in general.

The reputational risk policy targets management, as defined in the above paragraph, determining the devices and procedures that allow BST: (i) to minimise the probability that reputational risk materialises; (ii) to identify, report to the Board and overcome the situations that may have arisen; (iii) to ensure follow up and control; and (iv) to provide evidence, if necessary, that BST has reputation risk amongst its main concerns

and has available the organisation and means required for its prevention and, should it be the case, the ability to overcome it.

Without prejudice to all the remaining features that derive from the above, the global policy with respect to reputational risk covers, specifically and among others, the tools identified below that are referred due to their particular impact in the prevention and management of the risk:

- corporate values;
- compliance policy;
- prevention of money laundering and of financing terrorism;
- deportment codes;
- marketing policies and product follow up;
- financial risks policy;
- quality policy; and
- social responsibility and environmental defence policies.

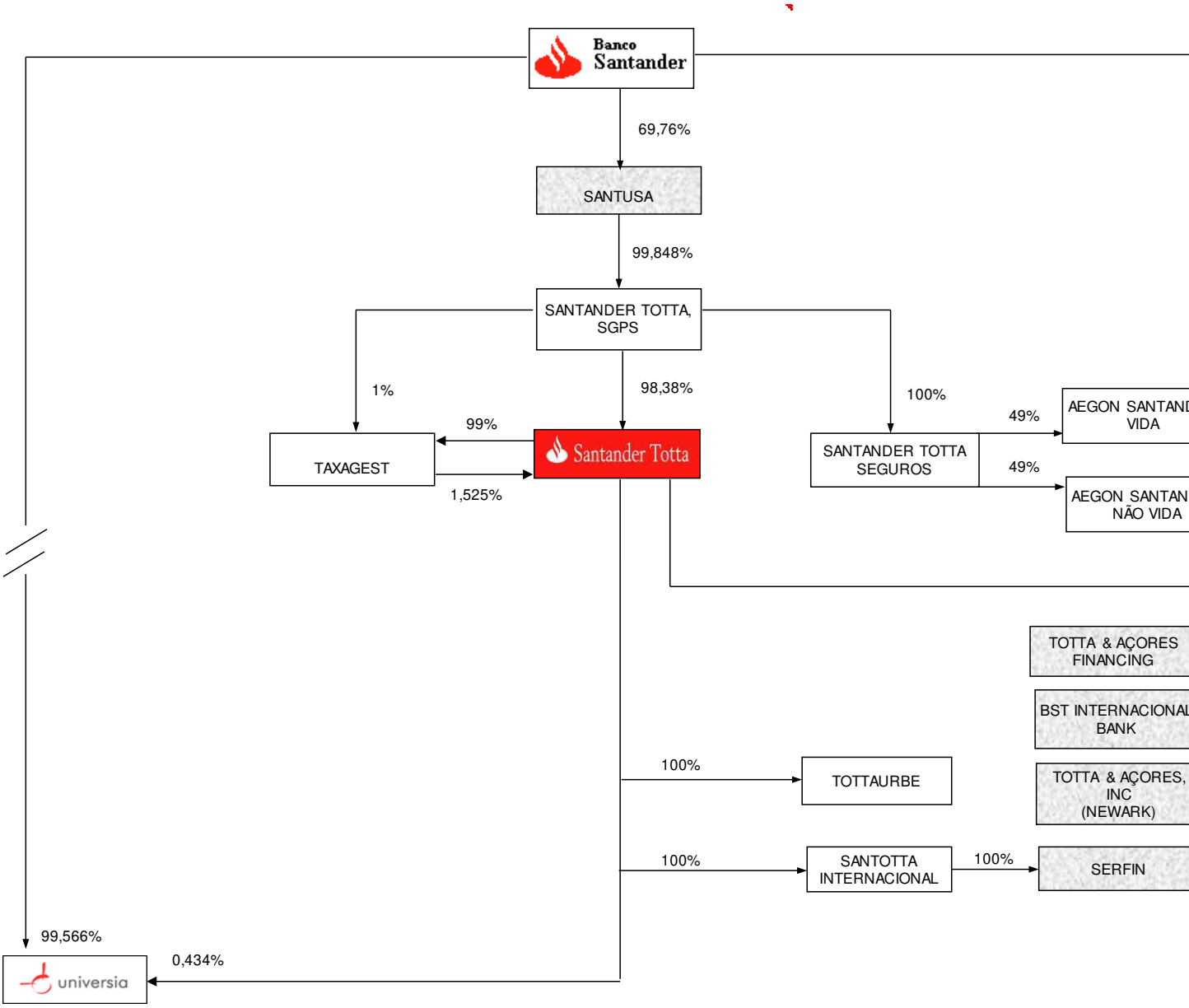
Organisational Structure

BST Group

The BST Group is a global financial group focusing its operation on two main business areas: commercial retail banking and investment banking. The BST Group provides a full range of products and services to individuals, companies and institutional investors in Portugal. In addition, following the incorporation of BSN and Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A. by BST, the BST Group comprises the investment bank networks of BST and the related group of operating companies which are controlled by Santander Totta, SGPS, S.A.

The holding company in Portugal, Santander Totta, SGPS, S.A., separates the activities of the participating companies and the investment bank business from the activities of BST. The aim of this corporate structuring, whereby all the banks and operating companies of the BST Group are controlled by Santander Totta, SGPS, S.A., is essentially to increase the BST Group's strength and solvency, as well as to provide transparency to the market and allow for adequate supervision on a consolidated basis.

The diagram on the next page shows the structure of the BST Group as at the date of this Base Prospectus.


Banco Santander
69,76%
SANTUSA
99,848%
SANTANDER TOTTA, SGPS
1%
98,38%
100%
99%
TAXAGEST
Santander Totta
1,525%
SANTANDER TOTTA SEGUROS
49%
AEGON SANTAND VIDA
49%
AEGON SANTAN NÃO VIDA
TOTTA & AÇORES FINANCING
BST INTERNACIONAL BANK
100%
TOTTAURBE
TOTTA & AÇORES, INC (NEWARK)
100%
SANTOTTA INTERNACIONAL
100%
SERFIN
99,566%
0,434%
universia

History of BST

Following an agreement entered into on 7 April 2000 between Banco Santander Central Hispano, Mr. António Champalimaud (the former controlling shareholder of BTA) and Caixa Geral de Depósitos S. A., BST acquired a controlling interest of 94.68 per cent. in BTA and of 70.66 per cent. in Crédito Predial Português ("*CPP*"). In June 2000, through its associate Santusa Holding, S.L Holding, S. L. – Sociedade Gestora de Participações Sociais, BST made a public acquisition offer for all of the outstanding shares of BTA and CPP. In December 2000, following a capital increase of BTA and the restructuring of the investments of the BST Group in Portugal, BTA became the head of the BTA Group, which, in addition to CPP, comprised Banco Santander Portugal ("*BSP*") and BSN. The first complete year under the BST Group structure was 2001.

BST was established following a corporate restructuring process completed in December 2004, which merged the commercial banks within the BST Group in Portugal (being BTA, CPP and BSP) into a single legal entity. The outcome was a holding company (Santander Totta, SGPS, S.A.), holding the commercial bank BST and the investment bank BSN. The restructuring process was approved by the Bank of Portugal and at the Shareholders' General Meetings of BTA, CPP and BSP on 15 October 2004, with the granting and filing of the deed completed on 19 December 2004.

The restructuring was an internal reorganisation of the BST Group in Portugal and resulted in BTA transferring, by operation of the merger, all of its assets into BST, which assumed all the obligations of BTA by operation of law.

In May 2010, BSN was incorporated into BST following a merger process that was initiated in 2009 and as a result the share capital of BST increased from EUR 589,810,510.00 to EUR 620,104,983.00. In August 2010 BST announced its intention to carry out a merger with Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A., thus concentrating in BST all lending activity currently developed by the merging entities. A preliminary project of the acquisition of the shares and the alluded merger was presented to the Bank of Portugal in the terms set forth in the law.

In this context, and following a shareholders resolution, on 18 March 2011 BST announced the decision to raise its share capital to EUR 656,723,284.00, by means of contributions in kind ("*entradas em espécie*"), which would be performed by Santander Totta, SGPS, S.A. through the transfer of 5,750,322 shares representing the share capital of Totta – Crédito Especializado, Instituição Financeira de Crédito, S.A. to which it attributed the global value of EUR 66,304,973.91. To complete this transaction, 36,618,301 new shares representing the share capital of BST, with the nominal amount of EUR 1 each and with an issue premium per share of EUR 0.8107059066, corresponding to the relevant share capital increase, were issued. In addition, the holders of the notes issued by BST, having met to decide about the aforementioned merger, decided not to oppose such merger on 21 March 2011. The filing of the share capital increase with the Commercial Registry Office occurred on 24 March 2011 and the completion of the merger in the terms described above took place on 1 April 2011.

On 20 December 2015, following the resolution measure applied to Banif by the Bank of Portugal, BST acquired a set of rights and obligations, comprised of assets, liabilities, off balance sheet items and assets under the management of Banif, as listed in the resolution passed by the Bank of Portugal in that respect, for the amount of EUR 150 million.

On 5 January 2016 and 22 March 2016, BST disclosed that its share capital increased by EUR 300,000,000 on each such date, from EUR 656,723,284.00 to EUR 956,723,284.00 and from EUR 956,723,284.00 to EUR 1,256,723,284.00, respectively, through the issue of ordinary book-entry and nominative shares with the nominal amount of EUR 1 each. These share capital increases were reserved to BST's shareholders and resulted in a total increase of BST' share capital to EUR 1,256,723,284.00.

BST is the parent company to various subsidiaries and its financial results are affected by the cashflows and dividends from its subsidiaries.

As at 31 December 2015, the majority shareholders of BST were:

Shareholder	Quantity of shares	Equity (per cent.)
Santander Totta, SGPS, S.A.	941,226,328	Approx. 98.38

Taxagest	14,593,315	Approx. 1.53

Banco Santander, S.A. holds directly or indirectly approximately 99.848 per cent. of Santander Totta SGPS, S.A. Both the shareholders of BST – Santander Totta, SGPS, S.A. and TaxaGest SGPS, S.A. (two holdings comprised in the BST Group) – are indirectly fully owned by Banco Santander, S.A. and therefore, BST is indirectly fully owned by Banco Santander, S.A.

There are no specific mechanisms in place to ensure that control over BST is not abusively exercised. Risk of abusive control is in any case mitigated by the existence of an Audit Board and an Auditor, as described herein, in the audited consolidated financial statements of BST in respect of the financial year ended 31 December 2015 and the legal and regulatory provisions and the supervision of BST by the CMVM and the Bank of Portugal.

BST, being (i) a credit institution and (ii) a financial intermediary (i.e. an entity which provides investment services/activities and ancillary services) and an issuer of securities admitted to trading on a Portuguese regulated market, is subject to the supervision of respectively (i) the Bank of Portugal and (ii) the CMVM, which, among other regulatory areas, supervise the acquisition and disposition of substantial holdings in BST.

BST is managed by a Board of Directors (*Conselho de Administração*) elected at the General Shareholders' Meeting for a three-year period and each of its members is governed by principles of legality, transparency and responsibility in order to boost and optimise the interests of its shareholders and creditors (in accordance with the Portuguese Companies Code – Article 64 – and the Credit Institutions General Regime – Article 75). The Board of Directors is responsible to BST's creditors if, through its non-observance of the law, it allows loss in value of property (in accordance with Portuguese Companies Code – Article 78). The business address for each of the members of the Management and Statutory Bodies is Banco Santander S.A., Rua Áurea, no. 88, 1100-063 Lisbon, Portugal.

Management and Statutory Bodies

General Meeting

Chairman	José Manuel Galvão Teles
Vice – Chairman	António Maria Pinto Leite
Secretary	Luís Manuel Baptista Figueiredo

Board of Directors

Chairman	António Basagoiti Garcia-Tuñón
Vice-Chairman	António José Sacadura Vieira Monteiro
Vice-Chairman	Enrique Garcia Candelas[7]
Members	Carlos Manuel Amaral de Pinho
	Isabel Maria Lucena Vasconcelos Cruz de Almeida Mota
	João Baptista Leite
	José Carlos Brito Sítima
	José Manuel Alves Elias da Costa
	José Urgel Moura Leite Maia
	Luís Filipe Ferreira Bento dos Santos
	Manuel António Amaral Franco Preto
	Pedro Aires Coruche Castro e Almeida

Audit Board

Chairman	Luís Manuel Moreira de Campos e Cunha
Members	Mazars & Associados, S.R.O.C.
	Ricardo Manuel Duarte Vidal Castro
Alternative Member	Pedro Manuel Alves Ferreira Guerra

Statutory Auditor and Auditor

Deloitte & Associados, S.R.O.C., S.A.

Executive Committee

Chairman	António José Sacadura Vieira Monteiro
Members	José Carlos Brito Sítima
	João Baptista Leite
	José Manuel Alves Elias da Costa
	José Urgel Moura Leite Maia
	Luís Filipe Ferreira Bento dos Santos
	Pedro Aires Coruche Castro e Almeida
	Manuel António Amaral Franco Preto

Company Secretary

Effective	Luís Manuel Baptista Figueiredo
Alternate	Raquel João Branquinho Nunes Garcia

Main activities of directors outside of BST

Name	Company	Office held
António Basagoiti Garcia-Tuñon	Santander Totta, SGPS, S.A.	Chairman of the Board of Directors
António José Sacadura Vieira Monteiro	Santander Totta, SGPS, S.A.	Deputy Chairman of the Board of Directors and Chairman of the Executive Committee
	Portal Universia Portugal, S.A.	Chairman of the Board of Directors and of the Executive Committee (1)
	Faculty of Humanistic and Social Sciences of Nova University	Member of the General Council
	Luso-Spanish Chamber of Commerce	Deputy Chairman
	COTEC - Portugal	Member of the General Council
	Vieira Monteiro, Lda.	Manager
Carlos Manuel Amaral de Pinho	Banco Caixa Geral Totta de Angola, S.A.	Member of the Board of Directors and of the Executive Committee (2)
José Manuel Alves Elias da Costa	Santander Totta, SGPS, S.A.	Member of the Board of Directors and of the Executive Committee
	Santander Totta Seguros – Companhia de Seguros de Vida, SA	Chairman of the Board of Directors
José Carlos Brito Sítima	Santander Totta, SGPS, S.A.	Member of the Board of Directors and of the Executive Committee
	Portal Universia Portugal, S.A.	Chairman of the General Meeting
Luís Filipe Ferreira Bento dos Santos	Santander Totta, SGPS, S.A.	Member of the Board of Directors and of the Executive Committee
	Portal Universia Portugal, S.A.	Member of the Board of Directors and of the Executive Committee
Manuel António Amaral Franco Preto	Banco Santander Consumer Portugal, S.A.	Member of the Audit Board
	Serfin International Bank & Trust	Director
	Taxagest – Sociedade Gestora de Participações Sociais, S.A. Santotta – International, SGPS, Sociedade Unipessoal, Lda	Chairman of the Board of Directors (1) Manager
	Totta & Açores Financing, Ltd.	Director
	Totta Ireland, Plc	Director
João Baptista Leite	UNICRE – Instituição Financeira de Crédito, S.A.	Member of the Board of Directors
	SIBS – Forward Payment Solutions, S.A.	Member of the Board of Directors
	SIBS, SGPS, S.A.	Member of the Board of Directors
Pedro Aires Coruche Castro e Almeida	Trem II – Aluguer de Material Circulante, ACE	Member of the Board of Directors (3)
	Nortrem – Aluguer de Material Ferroviário, ACE	Chairman of the Board of Directors
Luís Manuel Moreira de Campos e Cunha	Santander Totta, SGPS, S.A.	Chairman of the Audit Board
	Galp Energia, SGPS, S.A.	Chairman of the Board of Directors (4)
Ricardo Manuel Duarte Vidal de Castro	Santander Totta, SGPS, S.A.	Member of the Audit Board
	Clube do Autor, S.A.	Director
Pedro Manuel Alves Ferreira Guerra	Santander Totta, SGPS, S.A.	Alternate Member of the Audit Board

(1) On 17 April 2015 became the Chairman of the Board of Directors

(2) Ceased duties on 31 August 2015

(3) Ceased duties on 17 December 2015

(4) Ceased duties on 16 April 2015

Employees

Certain terms and conditions of employment in the banking sector in Portugal are negotiated with trade unions and wage negotiations occur on an industry-wide basis. BST has not experienced any material labour problems and it believes that its relations with its employees are generally satisfactory. The major objectives of the BST Group's staff management programme are directed at creating and improving team spirit through, among other measures, recruitment, a training plan and early retirement schemes.

Material Contracts

As at the date of this Base Prospectus, there are no material contracts that are reasonably likely to have a material effect on the Base Prospectus.

Conflicts of Interest

There are no potential conflicts of interest between any duties to BST by any of the members of either the Board of Directors, the Executive Committee or the Audit Board in respect of their private or other duties.

Recent Developments

On 20 December 2015, following the resolution measure applied to Banif by the Bank of Portugal, BST acquired a set of rights and obligations, comprised of assets, liabilities, off balance sheet items and assets under the management of Banif, as listed in the resolution passed by the Bank of Portugal in that respect, for the amount of EUR 150 million.

On 5 January 2016 and 22 March 2016, BST disclosed that its share capital increased by EUR 300,000,000 on each such date, from EUR 656,723,284.00 to EUR 956,723,284.00 and from EUR 956,723,284.00 to EUR 1,256,723,284.00, respectively, through the issue of ordinary book-entry and nominative shares with the nominal amount of EUR 1 each. These share capital increases were reserved to BST's shareholders and resulted in a total increase of BST' share capital to EUR 1,256,723,284.00.

On 27 April 2016, the annual meeting of shareholders of BST was convened to take place on 31 May 2016 to discuss and resolve on, *inter alia*, the composition of the management and statutory bodies, including the members of the General Meeting, the Board of Directors, the Audit Board and the Statutory Auditor and Auditor of the Bank. In particular, the current proposal entails the election of new members for the Board of Directors and the Audit Board and the replacement of the Statutory Auditor and Auditor of the Bank for a different accounting firm, for the years 2016/2018.

DESCRIPTION OF THE ISSUERS: TOTTA IRELANDHistory and Formation

Totta (Ireland) p.l.c. (the "*Totta Ireland*") is a public limited company under the Companies Act 2014 of Ireland (and every other enactment which is to be read together with that Act) and was incorporated on 26 November 1997 (with indefinite duration). Totta Ireland's registered address is 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland. The telephone number for the registered office is 00 353 1 2240431. Totta Ireland's registration number is 276090. Its ultimate parent company is the Spanish incorporated Banco Santander, S.A. Banco Santander Totta, S.A. is the sole shareholder of Totta Ireland. Totta Ireland's share capital is 1,252,747 ordinary shares of EUR 0.50, each fully paid up, and 30,000 ordinary shares of EUR 1.27 each fully paid up. Totta Ireland is an international financial services company engaged in the holding and trading of both fixed and variable interest securities and other investment instruments.

Business overview

Since Totta Ireland's incorporation in Ireland, it has been actively engaged in trading in bonds and shares. At present, Totta Ireland's portfolio consists of a selection of bonds and securitisation notes. Totta Ireland is also engaged in a commercial paper programme up to an amount of EUR 10 billion or equivalent (increased from EUR 5 billion to EUR 7.5 billion in March 2010, and to EUR 10 billion in February 2011). Under the programme it has issued short-term commercial paper with maturities between one and nine months, in Euros, USD, GBP, JPY and CHF. At present all issued commercial paper has matured, and due to economic uncertainty new issues have not materialised. Issues by Totta Ireland are fully guaranteed by Banco Santander Totta, S.A., acting through its London Branch. Totta Ireland continues to actively pursue other opportunities such as extendible note issues or similar instruments, depending on investor's interest.

The proceeds of these programmes are being lent to the direct parent company, Banco Santander Totta, S.A.

Statutory Bodies

Board of Directors

Secretary:	Capita International Financial Services (Ireland) Limited
Directors:	Robert Burke (Irish) (Irish resident)
	Sinead Keaveney (Irish) (Irish resident)
	Dâmaso Lopes (Portuguese) (Irish resident) (Executive General Manager)
	Manuel Preto (Portuguese)
	Ignacio Centenera Galan (Spanish)

The address for each of the Irish resident directors above is Totta (Ireland) p.l.c., 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland. The address for each of the non-resident directors is Banco Santander Totta, S.A., Rua da Mesquita No 6, Lisbon, Portugal. The principal activities performed by each of the members of the board of directors of Totta Ireland outside of Totta Ireland, are not significant with regard to Totta Ireland. Totta Ireland does not have an audit committee.

Conflicts of Interest

There are no potential conflicts of interest between any duties to Totta Ireland by any of the members of the Board of Directors in respect of their private or other duties.

Solicitors

McCann FitzGerald

Auditors

Deloitte

Bankers

Banco Santander Totta, S.A.

Principal Investments

Since 30 November 2006 Totta Ireland has invested in notes from securitisations of loans originated by Banco Santander, S.A. and Banco Santander Totta, S.A. To date, Totta Ireland has invested in securitisation notes totalling EUR 748.8 million. Since the initial investment, some of the bonds were redeemed early, and due to the market conditions at the time of the early redemptions, Totta Ireland has re-invested the early redemption amounts in new bonds. The total outstanding investment in these securitisation notes stands at present at EUR 593 million. Totta Ireland is funded mainly by its Portuguese parent company, or Banco Santander Totta S.A., London Branch. In addition to an initial subscription of share capital in the amount of EUR 664,473 and a capital contribution to date in the amount of EUR 450,000,000, Totta Ireland has financed its activities by borrowing from BST at market rates and terms.

Recent developments

During 2013, Totta Ireland re-structured it's borrowings by paying back to Banco Santander Totta S.A. outstanding loans, and simultaneously, agreed with Banco Santander Totta S.A., London branch a securities loan, totalling 605 million euro (market value as at 25 June 2015). These securities are part of Totta Ireland's bond portfolio, and the loan agreement is valid for one year, until the end of June 2015. The securities loan will be renewed on maturity. This financial re-structuring is reflected in the interim financials of Totta Ireland which are incorporated by reference herein.

BUSINESS OF THE GUARANTOR

Banco Santander Totta, S.A., acting through its London Branch is also acting as guarantor unconditionally and irrevocably guaranteeing the obligations under the Notes issued by Totta Ireland.

Banco Santander Totta, S.A., acting through its London Branch is a credit institution organised under the laws of Portugal. The Bank's registered address is Rua Áurea, 88, 1100-063 Lisbon, Portugal. The address of the Bank's London branch is 50 Mark Lane, London EC3R 7QR, United Kingdom. Banco Santander Totta, S.A. is a credit institution as defined in point (a) of Article 1(1) of Directive 2001/12/EC.

Banco Santander Totta, S.A., acting through its London Branch provides all the banking services that are provided by the Bank in Portugal.

The section headed "*Description of the Issuers: Banco Santander Totta, S.A.*" includes further information about the Bank and its business activities, and economic and financial information.

THE GUARANTEE

EUR 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME

DEED POLL

AMENDED AND RESTATED DEED OF GUARANTEE of

BANCO SANTANDER TOTTA, S.A.

acting through its London Branch

THIS DEED OF GUARANTEE (which for any Portuguese law purposes shall be construed as a "*Fiança*") is given on 27 September 2013 by Banco Santander Totta, S.A., acting through its London Branch (the "*Guarantor*").

WHEREAS:

(A) The Guarantor entered into a deed of guarantee dated 17 July 2009 (the "*Original Deed of Guarantee*") under which it agreed to guarantee the obligations of Totta (Ireland) p.l.c. (the "*Issuer*") in respect of Global Notes and Definitive Notes to be issued by the Issuer (the "*Notes*") under a EUR 10,000,000,000 Euro Medium Term Note Programme (the "*Programme*") and issued pursuant to an Agency Agreement (the "*Agency Agreement*") dated 17 July 2009 between, among others, the Issuer, Banco Santander Totta, S.A., acting through its Lisbon Head Office, the Guarantor and Deutsche Bank AG, London Branch as Agent (the "*Agent*") as amended from time to time.

(B) The Guarantor wishes to continue to unconditionally and irrevocably guarantee all Notes issued by the Issuer under the Programme.

(C) This Deed of Guarantee (the "*Guarantee*") amends and restates the Original Deed of Guarantee as amended and restated from time to time. Any Notes (as defined in the Conditions) issued on or after the date hereof shall have the benefit of this Guarantee. This does not affect any Notes issued prior to the date of this Deed.

(D) Terms defined in the Conditions of the English law Notes (the "*Conditions*") and in the Agency Agreement and not otherwise defined in this Guarantee shall have the same meaning when used in this Guarantee.

NOW THIS DEED WITNESSETH as follows:

1. The Guarantor as primary obligor (which for any Portuguese law purposes shall be construed as "*Principal Pagador*") unconditionally and irrevocably (which for any Portuguese law purposes shall be construed as an express renouncement of the benefit of "*excussão prévia*", pursuant to article 640 of the Portuguese Civil Code):

(a) guarantees to the holder from time to time of each Note or Coupon by way of continuing guarantee (i) the due and punctual payment of all amounts payable by the Issuer on or in respect of the Note or Coupon (including any premium or any other amounts of whatever nature or additional amounts which may become payable under Condition 7 of the English law Notes) as and when the same shall become due according to the Conditions and (ii) the performance of all other obligations of the Issuer under the Conditions (including, if applicable, the delivery of underlying securities or obligations); and

(b) agrees that, in the case of (a)(i) above, if and each time that the Issuer shall fail to make any payments as and when the same become due, the Guarantor will on demand (without requiring the relevant Noteholder or Couponholder first to take steps against the Issuer or any other person) pay to the relevant Noteholder or Couponholder the amounts (as to which the certificate of the relevant Noteholder or Couponholder shall in the absence of manifest error be conclusive) in the currency in which the amounts are payable by the Issuer and, in the case of (a)(ii) above, it hereby undertakes to cause such performance or the procurement of such performance to occur punctually when and as the same shall become due to be performed, in each case whether at maturity, upon redemption by acceleration of maturity or otherwise, as if such payment or delivery, as the case may be, were made or performed by the Issuer in accordance with the Conditions.

2. The Guarantor covenants in favour of each Noteholder that it will duly perform and comply with the obligations expressed to be undertaken by it in Condition 7 of the English law Notes. In particular, if in respect of any payment to be made under this Guarantee, any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature is payable, the Guarantor shall pay the additional amounts referred to in Condition 7 of the English law Notes, all subject to and in accordance with the provisions of Condition 7 of the English law Notes.

3. The obligations of the Guarantor under this Guarantee shall not be affected by any matter or thing which but for this provision might operate to affect the obligations including, without limitation:

(a) any time or indulgence granted to or composition with the Issuer or any other person;

(b) the taking, variation, renewal or release of remedies or securities against the Issuer or any other person; or

(c) any unenforceability, invalidity or irregularity.

4. Where any discharge (whether in respect of the obligations of the Issuer or any security for the obligations of the Issuer or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be repaid on bankruptcy, liquidation or otherwise without limitation, the liability of the Guarantor under this Guarantee shall continue as if there had been no discharge or arrangement. The holder of any Note or Coupon, acting in good faith, shall be entitled to concede or compromise any claim that any payment, security or other disposition is liable to avoidance or repayment.

5. The Guarantor shall not create or permit to be outstanding any mortgage, charge, lien, pledge or other similar encumbrance or security interest upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Indebtedness (as defined below) or any guarantee or indemnity given in respect of any Indebtedness, without, in the case of the creation of an encumbrance or security interest, at the same time and, in any other case, promptly according to the Noteholders an equal and rateable interest in the same or providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Guarantee shall prevent the Guarantor from creating or permitting to subsist a mortgage, charge, lien, pledge or similar encumbrance or security interest upon a defined pool of its assets (not representing all of the assets of the Guarantor) (including, but not limited to, receivables) (the "*Secured Assets*") which is or was created pursuant to any securitisation or like arrangement in accordance with normal market practice (whether or not involving the issue by the Guarantor itself of asset backed securities) and whereby all payment obligations in respect of the Indebtedness or any guarantee or indemnity given in respect of the Indebtedness, as the case may be, secured on the Secured Assets are to be discharged solely from the Secured Assets.

As used herein:

"*Indebtedness*" means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) but excluding Covered Bonds:

(a) where more than 50 per cent. in aggregate principal amount of such bonds, notes, debentures or other securities are initially offered outside Portugal by or with the authorisation of the Issuer or the Guarantor, as the case may be; and

(b) which are, or are intended to be or are capable of being, listed or traded on any stock exchange, over-the-counter or other organised market for securities (whether or initially distributed by way of private placing).

"*Covered Bonds*" means any bonds or notes issued by the Guarantor the obligations of which benefit from a special creditor privilege ("*privilégio creditório especial*") as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other loans permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation.

6. Status: In respect of Notes and any related Coupons issued by the Issuer, the obligations of the Guarantor under this Guarantee are direct, unsecured (subject to the provisions of Clause 5) and unsubordinated obligations of the Guarantor and rank and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) pari passu with all other present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Guarantor, from time to time outstanding.

7. All necessary governmental and regulatory consents and authorisations for the giving and implementation of this Guarantee have been obtained.

8. Until all amounts which may be or become payable under the Notes and the Coupons have been irrevocably paid in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any holder of any Note or Coupon or claim in competition with the holders against the Issuer.

9. This Guarantee shall ensure for the benefit of the Noteholders and Couponholders and shall be deposited with and held by the Agent.

10. As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum expressed to be payable or delivery obligation expressed to be owed by the Issuer under any Note or any Coupon but which is for any reason (whether or not now known or becoming known to the Issuer, the Guarantor or any Noteholder) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Noteholder or otherwise delivered by it on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by any Noteholder.

11. This Guarantee and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, the laws of England.

12. (a) Subject to subparagraph (c) below, the Guarantor irrevocably agrees for the benefit of the Noteholders and Couponholders that the courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Guarantee (including any dispute relating to any non-contractual obligations arising out of or in connection with this Guarantee) and accordingly submit to the exclusive jurisdiction of the English courts.

(b) The Guarantor waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

(c) The Noteholders and the Couponholders may take any suit, action or proceeding (together referred to as "*Proceedings*") arising out of or in connection with this Guarantee (including any Proceedings relating to any non-contractual obligations arising out of or in connection with this Guarantee) against the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

(d) Nothing in this Guarantee shall affect the right to serve process in any other manner permitted by law.

IN WITNESS whereof this Guarantee has been entered into as a deed by the Guarantor on the date which appears first on page 1.

TAXATION

PORTUGUESE TAXATION

Portuguese Taxation relating to all payments by the Issuer in respect of Notes issued within the scope of the Decree Law

This section summarises the tax consequences of holding Notes issued by the Issuer when such Notes are centralised within Interbolsa and have been issued within the scope of the Decree Law. References in this section are construed accordingly.

Investment income (i.e. economic benefits derived from interest, amortisation or reimbursement premiums as well as other forms of remuneration which may be paid under the Notes) on the Notes, paid to a corporate holder of Notes (who is the effective beneficiary thereof (the "*Beneficiary*") resident for tax purposes in Portuguese territory or to a non-Portuguese resident having a permanent establishment therein to which income is imputable, is subject to withholding tax currently at a rate of 25 per cent., except where the Beneficiary is either a Portuguese resident financial institution (or a non-resident financial institution having a permanent establishment in the Portuguese territory to which income is imputable) or benefits from a reduction or a withholding tax exemption as specified by current Portuguese tax law (such as pension funds, retirement and/or education saving funds, share savings funds, venture capital funds and collective investment undertakings constituted under the laws of Portugal).

In relation to Beneficiaries that are corporate entities resident in Portuguese territory (or non-residents having a permanent establishment therein to which income is imputable), withholding tax is treated as a payment in advance and, therefore, such Beneficiaries are entitled to claim appropriate credit against their final corporate income tax liability.

If the payment of interest or other investment income on Notes is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive income tax rates of up to 48 per cent.. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding EUR as follows: (i) 2.5 per cent. on the part of the taxable income exceeding EUR 80,000 up to EUR 250,000, and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000. Additionally, in case the income aggregation is chosen, an additional surcharge is due for the tax year of 2016 according to the taxpayer taxable income, as follows: (i) 0 per cent for taxable income up to EUR 7,070; (ii) 1 per cent for taxable income exceeding EUR 7,070 up to EUR 20,000; (iii) 1.75 per cent for taxable income exceeding EUR 20,000 up to EUR 40,000; (iv) 3 per cent for taxable income exceeding EUR 40,000 up to EUR 80,000 and (v) 3.5 per cent for taxable income above EUR 80,000. For 1 January 2017 onwards, it is foreseen that such additional surcharge will no longer be applicable;

Investment income paid or made available on accounts held by one or more parties on account of unidentified third parties is subject to a withholding tax rate of 35 per cent., except where the beneficial owner of the income is identified, in which case the general rules will apply.

Under the Decree Law, investment income classified as obtained in Portuguese territory paid to Beneficiaries considered non-Portuguese resident in respect of debt securities integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the EU other than Portugal (e.g. Euroclear or Clearstream, Luxembourg) or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of the Decree-Law, as well as capital gains derived from a sale or other disposition of such Notes, will be exempt from Portuguese taxation.

For the withholding tax exemption to apply, the Decree Law requires that the Beneficiary are: (i) central banks and agencies bearing governmental nature; or (ii) international bodies recognised by the Portuguese State; or (iii) entities resident in countries with whom Portugal has in force a double tax treaty or a tax information exchange agreement; or (iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which

are not domiciled in a blacklisted jurisdiction as set out in the Ministerial Order (Portaria) no. 150/2004, of 13 February 2004, as amended from time to time (the "*Ministerial Order no. 150/2004*").

In addition the Beneficiary shall comply with the evidence requirements and procedures of non-residence status set forth in the Decree Law. If the procedures and certifications of non-residence status or the requirements to benefit from the withholding tax exemption are not complied with a Portuguese withholding tax will apply at a rate of 25 per cent. (in case of non-resident entities), at a rate of 28 per cent. (in case of non-resident individuals) or at a rate of 35 per cent. (in case of investment income payments (i) to individuals or companies domiciled in a "low tax jurisdiction" list approved by Ministerial Order (Portaria) No. 150/2004 of 13 February 2011, as amended by Ministerial Order (Portaria) No. 292/2011 of 8 November 2011, or (ii) to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties, in which the relevant beneficial owner(s) of the income is/are not identified), as the case may be, or if applicable, at reduced withholding tax rates pursuant to tax treaties signed by the Republic of Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with.

Under the Decree Law, the Notes must be held through an account with one of the following entities: (i) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are opened ; (ii) an indirect registered entity, which, although not assuming the role of the "*direct registered entities*", is a client of the latter; or (iii) an entities managing international clearing system which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems Capital gains obtained on the disposal of Notes, by individuals and by corporate entities not resident in the Republic of Portugal and without a permanent establishment therein to which the income or gain are attributable for tax purposes are exempt of taxation. This exemption shall not apply, if the Noteholder (i) is a entity with headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable or (ii) is resident in a jurisdiction with a more favourable tax regime than Portugal, as in Ministerial Order ("*Portaria*") no. 150/2004, of 13 February, as amended by Ministerial Order *(Portaria)* 292/2011, of 8 November, with whom Portugal has not a double tax treaty in force or a tax information exchange agreement.

If the above exemption does not apply, and the holder is a corporate entity the gains will be subject to corporate income tax at a rate of 25 per cent.. Capital gains obtained by individuals that are not entitled to said exemption will be subject to a 28 per cent. flat rate. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese corporate income tax, but the applicable rules should be confirmed on a case by case basis.

Capital gains obtained on the disposal of Notes issued by the Issuer, by corporate entities resident for tax purposes in the Republic of Portugal and by non-residents corporate entities with a permanent establishment therein to which the income or gain are attributable are included in their taxable income and are subject to a corporate tax at a rate of (i) 21 per cent. or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law no. 372/2007, of 6 November 2007, 17 per cent. for taxable profits up to EUR 15,000 and 21 per cent. on profits in excess thereof to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income. Corporate taxpayers with a taxable income of more than €1,500,000 are also subject to State surcharge (*derrama estadual*) of (i) 3 per cent. on the part of its taxable profits exceeding €1,500,000 up to EUR 7,500,000, (ii) 5 per cent. on the part of the taxable profits that exceeds EUR 7,500,000 up to €35,000,000, and (iii) 7 per cent. on the part of the taxable profits that exceeds EUR 35,000,000.

Capital gains obtained on the disposal of Notes issued by the Issuer, by individuals resident for tax purposes in the Republic of Portugal are subject to tax at a rate of 28 per cent. levied on the positive difference between the capital gains and capital losses of each year, unless the individual elects to include such income in his taxable income, subject to tax at progressive income tax rates of up to 48 per cent. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding EUR 80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding EUR 80,000 up to EUR 250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000. Additionally, in case the income aggregation is chosen, an additional surcharge is due for the tax year of 2016 according to the taxpayer taxable income, as follows: (i) 0 per cent for taxable income up to EUR 7,070; (ii) 1 per cent for taxable income exceeding EUR 7,070 up to EUR 20,000; (iii) 1.75 per cent for taxable income exceeding EUR 20,000 up to EUR 40,000; (iv) 3 per cent for taxable income exceeding EUR 40,000 up to EUR 80,000

and (v) 3.5 per cent for taxable income above EUR 80,000. For 1 January 2017 onwards, it is foreseen that such additional surcharge will no longer be applicable.

Domestic Cleared Notes – held through a direct registered entity

Direct registered entities are required to register the Noteholders in one of two accounts: (i) an exempt account or (ii) a non-exempt account.

Registration in the exempt account is crucial for the tax exemption to apply upfront and requires evidence of the non-resident status of the Beneficiary, to be provided by the Noteholder to the direct registered entity (this will have to be made by no later than the second ICSD Business Day prior to the Relevant Date, as defined in Condition 7 of the Terms and Conditions of the Notes (*Taxation*)), as follows:

(i) if the Beneficiary is a central bank, an international body recognised as such by the Portuguese State, or a public law entity and respective agencies, a declaration issued by the beneficial owner of the Notes itself duly signed and authenticated, or proof of non-residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;

(ii) if the Beneficiary is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty, certification shall be made by means of the following: (A) its tax identification official document; or (B) a certificate issued by the entity responsible for such supervision or registration, or by tax authorities confirming the legal existence of the beneficial owner of the Notes and its domicile; or (C) proof of non-residence pursuant to (iv) below. The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;

(iii) if the Beneficiary is an investment fund or other collective investment scheme domiciled in any OECD country or in a country with which the Republic of Portugal has entered into a double tax treaty in force or a tax information exchange agreement in force, it must provide (a) a declaration issued by the entity responsible for its supervision or registration or by the relevant tax authority, confirming its legal existence, domicile and law of incorporation; or (b) proof of non-residence pursuant to the terms of paragraph (iv) below; The respective proof of non-residence in Portugal is provided once, its periodical renewal not being necessary and the beneficial owner should inform the direct register entity immediately of any change in the requisite conditions that may prevent the tax exemption from applying;

(iv) other investors will be required to prove of their non-resident status by way of: (a) a certificate of residence or equivalent document issued by the relevant tax authorities; (b) a document issued by the relevant Portuguese Consulate certifying residence abroad; or (c) a document specifically issued by an official entity which forms part of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country. The Beneficiary must provide an original or a certified copy of such documents and, as a rule, if such documents do not refer to a specific year and do not expire, they must have been issued within the three years prior to the relevant payment or maturity dates or, if issued after the relevant payment or maturity dates, within the following three months. The Beneficiary must inform the direct registering entity immediately of any change in the requirement conditions that may eliminate the tax exemption.

Internationally Cleared Notes – held through an entity managing an international clearing system

Pursuant to the requirements set forth in the tax regime, if the Notes are registered in an account held by an international clearing system operated by a managing entity, the latter shall transmit, on each interest payment date and each relevant redemption date, to the direct register entity or to its representative, and with respect to all accounts under its management, the identification and quantity of securities, as well as the amount of income, and, when applicable, the amount of tax withheld, segregated by the following categories of beneficiaries:

(a) Entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable and which are non-exempt and subject to withholding;

(b) Entities which have residence in country, territory or region with a more favourable tax regime, included in the Portuguese "blacklist" (countries and territories listed in Ministerial Order (Portaria) no. 150/2004, of 13 February 2004, as amended from time to time, the Ministerial Order no. 150/2004) and which are non-exempt and subject to withholding;

(c) Entities with residence, headquarters, effective management or permanent establishment to which the income would be imputable and which are exempt or not subject to withholding;

(d) Other entities which do not have residence, headquarters, effective management or permanent establishment to which the income generated by the securities would be imputable.

On each interest payment date and each relevant redemption date, the following information with respect to the beneficiaries that fall within the categories mentioned in paragraphs (a), (b) and (c) above, should also be transmitted:

(a) Name and address;

(b) Tax identification number (if applicable);

(c) Identification and quantify of the securities held; and

(d) Amount of income generated by the securities.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-law 193/2005, as amended from time to time. The refund claim is to be submitted to the direct register entity of the Notes within six months from the date the withholding took place. Following the amendments to Decree Law 193/2005 of 7 November introduced by Law 83/2013, of 9 December, a new special tax form for these purposes was approved by Order ("*Despacho*") no. 2937/2014, published in the Portuguese official gazette, second series, no. 37, of 21 February 2014 issued by the Secretary of State of Tax Affairs ("*Secretário de Estado dos Assuntos Fiscais"*).

The refund of withholding tax after the above six-month period is to be claimed from the Portuguese tax authorities within two years, starting from the term of the year in which the withholding took place.

The absence of evidence of non-residence in respect to any non-resident entity which benefits from the above mentioned tax exemption regime shall result in the loss of the tax exemption and consequent submission to applicable Portuguese general tax provisions.

EU Savings Directive

On 10 November 2015, the Council of the European Union adopted a Council Directive (Council Directive (EU) 2015/2060 of 10 November 2015) from 1 January 2016 in the case of Portugal (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates) to prevent an overlap between Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, which is based on the format established by the Organisation for Economic Co-operation and Development ("*OECD*") called Common Reporting Standard ("*CRS*"). This new global standard for automatic exchange of information on investment income shall completely replace the Savings Directive.

Portugal has implemented the Savings Directive into the Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended from time to time. The forms currently applicable to comply with the reporting obligations arising from the implementation of the Savings Directive were approved by Governmental Order

(*Portaria*) no. 563-A/2005, of 28 June 2005, and may be available for consultation at www.portaldasfinancas.gov.pt.

Accordingly, as a consequence of repealing of the Savings Directive by the recent Council Directive (EU) 2015/2060 of 10 November 2015, it is expected that Decree-Law no. 62/2005, of 11 March 2005, as amended from time to time, as well as the forms approved by Governmental Order (*Portaria*) no. 563-A/2005, of 28 June 2005, will be revoked.

Foreign Account Tax Compliance Act ("FATCA")

Portugal has very recently implemented, through Law 82-B/2014 of 31 December 2014, the legal framework based on reciprocal exchange of information on financial accounts subject to disclosure in order to comply with FATCA. In such Law, is also foreseen that additional legislation regarding certain procedures and rules in connection with FATCA will be created in Portugal.

The deadline for the financial institutions to report to the Portuguese tax authorities the mentioned information has been postponed several times, the last time to the last day of June 2016 pursuant to Order no. 64/2016.XXI of 31 March 2016 issued by the Portuguese Secretary of Tax Affairs.

Portuguese taxation relating to all payments by Totta Ireland or, as the case may be, the Guarantor to Noteholders who are resident in Portugal.

The summary in the following paragraph below in relation to Global Notes and Definitive Notes issued by Totta Ireland assumes that such Global Notes and Definitive Notes would be treated by the Portuguese tax authorities as corporate bonds ("*obrigações*") as defined under Portuguese law, but no assurance can be given that such position would be taken or maintained by such authorities.

Investment income on Global Notes and Definitive Notes paid by Totta Ireland or, as the case may be, the Guarantor, to a Noteholder who is resident for tax purposes in Portugal will be deemed as foreign source income, subject to Portuguese income tax. If the Noteholder is a Portuguese individual resident and payment is made through a Portuguese resident entity it will be subject to a final withholding tax at a rate of 28 per cent., unless the individual elects for aggregation to this taxable income, subject to tax at progressive rates of currently up to 48 per cent. Additionally, in case the income aggregation is chosen, an additional surcharge is due for the tax year of 2016 according to the taxpayer taxable income, as follows: (i) 0 per cent for taxable income up to EUR 7,070; (ii) 1 per cent for taxable income exceeding EUR 7,070 up to EUR 20,000; (iii) 1.75 per cent for taxable income exceeding EUR 20,000 up to EUR 40,000; (iv) 3 per cent for taxable income exceeding EUR 40,000 up to EUR 80,000 and (v) 3.5 per cent for taxable income above EUR 80,000. For 1 January 2017 onwards, it is foreseen that such additional surcharge will no longer be applicable. Also in the latter circumstance an additional income tax will be due on the part of the taxable income exceeding EUR 80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding EUR 80,000 up to EUR 250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding EUR 250,000. In such a case, the tax withheld is deemed to be a payment on account of the final tax due. Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Investment income payments due by non-resident entities to Portuguese tax resident individuals are subject to an autonomous taxation at a rate of 28 per cent. whenever those payments are not subject to Portuguese withholding tax.

Under current Portuguese law, investment income payments in respect of the Notes made to Portuguese tax resident companies are included in their taxable income and are subject to a corporate tax rate of (i) 21 per cent. or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law no. 372/2007 of 6 November 2007, 17 per cent. for taxable profits up to EUR 15,000 and 21 per cent. on profits in excess thereof to which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. over the Noteholders taxable profits. Taxable profits will also become subject to a progressive state surcharge ("*derrama estadual*"), according to which 3 per cent. will be applicable on taxable profits exceeding EUR 1,500,000 but equal or less than EUR 7,500,000 and 5 per cent. due on taxable profits exceeding EUR 7,500,000 but equal or less than EUR 35,000,000 and 7 per cent. due on taxable profits exceeding EUR 35,000,000.

IRISH TAXATION

The following is a general summary of the Issuers' understanding of the current law and practice in Ireland relating to the taxation of Investors beneficially owning Notes issued by Totta Ireland. The summary relates only to the position of the persons who are the absolute beneficial owners of Notes and the interest on them and some aspects may not apply to certain classes of taxpayers (such as dealers).

Withholding Tax

In general, withholding tax at the standard rate of income tax (currently 20 per cent.) must be deducted from payments of yearly interest within the charge to Irish tax. This would generally include payments of yearly interest or premium made by a company that is resident in Ireland for the purposes of Irish tax ("*Irish Resident*") such as Totta Ireland. Discounts do not constitute yearly interest for Irish withholding tax purposes. Yearly interest includes interest or premium that is capable of arising for a period of at least one year; for instance, interest or premium arising on a Note that has a maturity in excess of 364 days.

Notes issued having a maturity over one year

Quoted Eurobond Exemption

Section 64 of the Taxes Consolidation Act 1997 of Ireland as amended ("*Taxes Act*") provides for the payment of interest (which includes premium) in respect of quoted Eurobonds without deduction of tax in certain circumstances. For this purpose a quoted Eurobond is defined in Section 64 of the Taxes Act as a security which:

(i) is issued by a company;

(ii) is quoted on a recognised stock exchange (the Luxembourg Stock Exchange is a recognised stock for this purpose); and

(iii) carries a right to interest.

There is no obligation to withhold tax on quoted Eurobonds where:

(i) the person by or through whom the payment is made is not in Ireland; or

(ii) the payment is made by or through a person in Ireland; and

  (a) the quoted Eurobond is held in a recognised clearing system; or

  (b) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not an Irish Resident and has made a declaration to this effect in the prescribed form.

Encashment Tax

Interest on any Note which qualifies for exemption from withholding tax on interest as a quoted Eurobond (see above) realised or collected by an agent in Ireland on behalf of any Noteholder will generally be subject to Irish encashment tax at the standard rate of Irish income tax (currently 20 per cent.). This is unless the beneficial owner of the Note that is entitled to the interest is not resident in Ireland for the purposes of Irish tax and makes a declaration to that effect in the prescribed form. This is provided that such interest is not deemed, under the provisions of Irish tax legislation, to be the income of another person that is Irish Resident.

Irish Income Tax

In general, persons who are Irish Resident or Ordinarily Resident and domiciled in Ireland are liable to Irish taxation on their worldwide income whereas persons who are neither Irish Resident nor ordinarily resident in Ireland for the purposes of Irish tax are only liable to Irish taxation on their Irish source income. A person becomes Ordinarily Resident in Ireland upon the commencement of the fourth consecutive tax year in which that person is Irish Resident. A person ceases to be Ordinarily Resident in Ireland upon the cessation of the third consecutive tax year in which that person is not Irish Resident. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Interest payable and discount realised on Notes issued by Totta Ireland will be regarded as Irish source income. Accordingly, pursuant to general Irish tax rules, a non-Irish Resident in receipt of such income would be technically liable to Irish income tax (and the Universal Social Charge ("*USC*") where the income is received by an individual) unless an exemption is available (subject to the provisions of any applicable double taxation agreement).

Double Taxation Agreements

The majority of Ireland's double taxation agreements exempt interest (which in certain cases includes discount) from Irish tax when received by a resident of the other jurisdiction.

As of the Closing Date, Ireland has signed double taxation agreements with each of Albania, Armenia, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia & Herzegovina, Botswana (signed but not yet in effect), Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Ethiopia (signed but not yet in effect), Finland, France, Georgia, Germany, Greece, Hong Kong, Hungary, Iceland, Israel, India, Italy, Japan, Korea (Rep. of), Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Panama, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Vietnam and Zambia.

Credit is available for any Irish tax withheld from income on account of the related income tax liability. Companies that are not Irish Resident, where the income is not attributable to a branch or agency of the company in Ireland, are subject to income tax at the standard rate. Therefore any withholding tax suffered should be equal to and in satisfaction of the full income tax liability. Companies that are not Irish Resident but are operating in Ireland through a branch or agency of the company to which the income is attributable would be subject to Irish corporation tax.

Section 198 of the Taxes Act

There is an exemption from Irish income tax under Section 198 of the Taxes Act in certain circumstances. These circumstances include:

(i) where the interest is exempt from withholding tax because it is payable on a quoted Eurobond (see *Withholding Taxes* above) and is paid by a company to:

  (a) a person resident in an EU Member State (other than Ireland) or in territory with which Ireland has signed a double taxation agreement; or

  (b) a company controlled, either directly or indirectly, by persons resident in an E.U. Member State (other than Ireland) or in a territory with which Ireland has signed a double taxation agreement, and who are not under the control, whether directly or indirectly, of a person who is, or persons who are not so resident; or

  (c) a company the principal class of shares of which is substantially and regularly traded on a recognised stock exchange in Ireland or on one or more recognised stock exchanges in an EU Member State (other than Ireland) or in a territory with which Ireland has signed a double taxation agreement or on such other stock exchange as may be approved for this purpose by the minister for finance; or

(ii) where the interest is paid by a company in the ordinary course of its trade or business and the recipient of the interest is a company that is resident in an EU Member State (other than Ireland), under the laws of that EU Member State, or that is a resident of a territory with which Ireland has signed a double taxation agreement, under the terms of that agreement and that territory imposes a tax that generally applies to interest receivable from sources outside that relevant territory, or where the interest paid would be exempted from the charge to income tax under a double taxation agreement that is in effect or, if not yet in effect, that has been signed between Ireland and that relevant territory; or

(iii) where the discount arises on a security issued by a company in the ordinary course of its trade or business and the discount arises to a person that is resident in an EU Member State (other than Ireland), under the laws of that EU Member State, or that is a resident of a territory with which Ireland has signed a double taxation agreement, under the terms of that agreement.

Interest paid or discount arising on the Notes which does not fall within the above exemptions are within the charge to Irish income tax to the extent that a double taxation agreement that is in effect does not exempt the interest or discount as the case may be. However, it is understood that the Revenue Commissioners have in the past, operated a practice (as a consequence of the absence of a collection mechanism rather than adopted policy) whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being Irish Resident except where such persons:

(i) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or

(ii) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

(iii) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Revenue Commissioners will apply this practice in the case of the holders of Notes and, as mentioned above, there is a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Capital Gains Tax

A holder of a Note will not be subject to Irish taxes on capital gains provided that such holder is neither Irish Resident nor Ordinarily Resident in Ireland and such holder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent establishment to which or to whom the Notes are attributable.

Capital Acquisitions Tax

If the Notes are comprised in a gift or inheritance taken from a disposer that is Irish Resident or Ordinarily Resident in Ireland or if the disposer's successor is Irish Resident or Ordinarily Resident in Ireland, or if any of the Notes are regarded as property situate in Ireland, the disposer's successor (primarily), or the disposer, may be liable to Irish capital acquisitions tax. The Notes may be regarded as property situate in Ireland.

For the purposes of capital acquisitions tax only, under current legislation a non-Irish domiciled person will not be treated as Ordinarily Resident in Ireland except where that person has been Irish Resident for the 5 consecutive years of assessment immediately preceding the year of assessment in which the date of the gift or inheritance falls.

Stamp Duty

No Irish stamp duty will be payable on the issue of the Notes.

In the event of a written transfer of Notes, no Irish stamp duty is payable on the basis that the Notes:

(i) do not carry a right of conversion into stocks or marketable securities (other than loan capital) of a company having a register in Ireland or into loan capital having such a right;

(ii) do not carry rights of the same kind as shares in the capital of a company, including rights such as voting rights, a share in the profits or a share in the surplus upon liquidation;

(iii) are issued for a price which is not less than 90 per cent. of their nominal value; and

(iv) do not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices (based wholly or partly and directly or indirectly on stocks or marketable securities) specified in any instrument or other document relating to the Notes.

No Irish stamp duty will be payable on redemption of the Notes.

Automatic Exchange of Information for Tax Purposes

Pursuant to EU Council Directive 2003/48/EC on the taxation of savings income (the "*Savings Tax Directive*"), Member States were required to provide to the tax authorities of another Member State details of payments of interest (or similar income which may include distributions by a company) paid by a person within its jurisdiction to an individual resident in that other Member State.

On 10 November 2015 the Council of the European Union adopted a Council Directive repealing the Savings Tax Directive from 1 January 2017, in the case of Austria and from 1 January 2016, in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates).

This is to prevent overlap between the Savings Tax Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU) ("*DAC2*"). DAC2 provides for the implementation among EU member states (and certain third countries that have entered into information exchange agreements) of the automatic exchange of information in respect of various categories of income and capital and broadly encompasses the regime known as the Common Reporting Standard ("*CRS*") proposed by the OECD as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions. DAC2 is generally broader in scope than the Savings Tax Directive, although it does not impose withholding taxes.

Under the CRS, governments of participating jurisdictions (currently more than 90 jurisdictions) are required to collect detailed information to be shared with other jurisdictions annually. A group of over 40 countries, including Ireland, have committed to the early adoption of the CRS from 1 January 2016 with the first data exchanges taking place in September 2017. All EU member states, except Austria introduced the CRS from 1 January 2016. Austria will introduce CRS from 1 January 2017.

CRS is implemented in Ireland pursuant to the Returns of Certain Information by Reporting Financial Institutions Regulations 2015, S.I. 583 of 2015, made under Section 891F of the Taxes Act.

DAC2 is implemented in Ireland pursuant to the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations of 2015, S.I. No. 609 of 2015 made under Section 891G of the Taxes Act.

Pursuant to these Regulations, Totta Ireland will be required to obtain and report to the Revenue Commissioners annually certain financial account and other information for all new and existing accountholders in respect of the Notes. The first returns must be submitted on or before 30 June 2017 with respect to the year ended 31 December 2016. The information will include amongst other things, details of the name, address, taxpayer identification number ("*TIN*"), place of residence and, in the case of accountholders who are individuals, the date and place of birth, together with details relating to payments made to accountholders and their holdings. This information may be shared with tax authorities in other EU member states (and in certain third countries subject to the terms of Information Exchange Agreements entered into with those countries) and jurisdictions which implement the OECD Common Reporting Standard.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuers' understanding of current United Kingdom law and published HM Revenue & Customs ("*HMRC*") practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Payments of interest on the Notes that does not have a United Kingdom source may be made without withholding on account of United Kingdom income tax.

Even if interest on the Notes does have a United Kingdom source, payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Luxembourg Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February 2013, the European Commission published a proposal (the "*Commission's Proposal*") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "*participating Member States*"). However, Estonia has recently since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

LUXEMBOURG TAXATION

The following information is of a general nature only and 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. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes 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.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(v) **Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(vi) **Resident holders of Notes**

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

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain

dependent and associated territories of EU Member States (the Territories)) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner 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 Notes coming within the scope of the Law will be subject to a withholding tax at a rate of 10 per cent.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "*foreign financial institution*" (as defined by FATCA) may be required to withhold on certain payments it makes ("*foreign passthru payments*") to persons that fail to meet certain certification, reporting or related requirements. The Issuers are foreign financial institutions for these purposes. A number of jurisdictions (including Portugal and Ireland have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("*IGAs*"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "Further Issues" in the "Terms and Conditions of the Notes") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the *"Programme Agreement"*) dated 24 July 2015, agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under *"Form of the Notes, Clearing and Payments"* and *"Terms and Conditions of the Notes".* In the Programme Agreement, the Issuers and the Guarantor have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under 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 or not subject to the registration requirements of the Securities Act. Terms used in this paragraph and the following paragraph have the meanings given to them by Regulation S.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Notes, and that it and they have complied with and will comply with the offering restrictions requirement of Regulation S. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

If the TEFRA C Rules apply to the Notes in bearer form, each Dealer understands that under the TEFRA C Rules, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes in bearer form, each Dealer has represented and agreed that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions or otherwise involve a U.S. office of the Dealer in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the TEFRA C Rules.

If the TEFRA D Rules apply to the Notes in bearer form, except to the extent permitted under the TEFRA D Rules, (i) each Dealer has represented that (a) it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered and agrees that it will not deliver within the United States or its possessions Definitive Notes in bearer form that are sold during the restricted period,

(ii) each Dealer has represented that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules, (iii) if it is a United States person, each Dealer has represented that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6) (or any successor United States Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010), and (iv) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has repeated and confirmed the representations and agreements contained in (i), (ii) and (iii) above on such affiliate's behalf. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the TEFRA D Rules.

The applicable Final Terms will specify if TEFRA C or TEFRA D are applicable, or, alternatively if TEFRA is not applicable.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "*FIEA*") and accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No.228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Public Offer selling restriction under the Prospectus Directive

In relation to each Member Sate 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require either Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an "*offer of Notes to the public*" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;

- the expression ‘‘*Prospectus Directive*” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

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) 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to Totta Ireland; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Portugal

In relation to the Notes, each Dealer has represented, warranted and agreed with the relevant Issuer, and each further Dealer appointed under the Programme will be required to represent and agree, that regarding any offer or sale of Notes by it in Portugal or to individuals resident in Portugal or having a permanent establishment in Portugal, it will comply with all laws and regulations in force in Portugal, including (without limitation) the Portuguese Securities Code (“*Código dos Valores Mobiliários*”), any regulations issued by the Portuguese Securities Market Commission (“*Comissão do Mercado de Valores Mobiliários*”) and the Prospectus Regulation, and other than in compliance with all such laws and regulations: (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (“*oferta pública*”) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; (ii) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of Notes only (“*oferta particular*”); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes to the public in Portugal. In particular, (a) if the Notes are subject to a private placement addressed (i) exclusively to qualified investors as defined, from time to time, in Article 30 of the Portuguese Securities Code (“*investidores qualificados*”), or to (ii) less than 150 non-qualified investors, such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (b) private placements addressed by companies open to public investment (“*sociedades abertas*”) or by companies issuing securities listed on a regulated market shall be notified to the CMVM for statistics purposes.

France

Each of the Dealers and the Issuers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*“investisseurs qualifiés*”) other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-1 of the Code monétaire et financier. This Base Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

Ireland

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

(a) it has not offered or sold and will not offer or sell any Notes except in conformity with the provisions of the Prospectus Directive and, where applicable, implementing measures in Ireland and the provisions of the Companies Act 2014 of Ireland and every other enactment which is to be read together with that Act;

(b) in connection with offers or sales of Notes it has only issued or passed on, and will only issue or pass on, in Ireland or elsewhere, any document received by it in connection with the issue of such Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on;

(c) it has complied and will comply with all applicable provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland, as amended, with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland, and is acting under and within the terms of an authorisation to do so for the purposes of, Directive 2004/39/EC of the European Parliament as amended and of the Council of 21 April 2004, and it has complied with any applicable codes of conduct or practice made under the applicable local implementing legislation; and

(d) it has not offered or sold and will not offer or sell any Notes other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland, as amended, and any rules made by the Central Bank of Ireland pursuant thereto, including any rules issued under Section 1370 of the Companies Act 2014 by the Central Bank of Ireland.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Executive Committee of BST dated 20 June 2001 and ratified by a resolution of the Board of Directors of BST dated 19 July 2001. The addition of Totta Ireland as an Issuer and the addition of Banco Santander Totta, S.A., acting through its London Branch as Guarantor was duly authorised by a board resolution of BST dated 21 February 2007, and by a board resolution for Totta Ireland dated 15 May 2007. In a resolution dated 15 March 2013, the Board of Directors of BST delegated its power to, among other things, approve the Programme to the Executive Commission and on 12 May 2016, the Executive Commission approved the present update of the Programme. The present update of the Programme was duly authorised by a board resolution for Totta Ireland on 12 May 2016.

Approval, Listing and Admission to Trading of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection during normal business hours from the registered offices of each Issuer and from the specified offices of the Paying Agents for the time being in London, Luxembourg and Lisbon:

(i) the Programme Agreement, the Agency Agreement, the Deed of Covenant, the Guarantee, any agreement appointing a common representative and the forms of the Global Notes, any Notes in definitive form, any Coupons and Talons;

(ii) a copy of this Base Prospectus;

(iii) any future Base Prospectus, prospectuses, information memoranda, supplements and Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

(iv) in the case of each issue of Notes listed on the regulated market of an EEA Member State and subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document);

BST

(v) an English translation of the constitutional documents of Banco Santander Totta, S.A.;

(vi) the consolidated audited financial statements of Banco Santander Totta, S.A. and Legal Certification of Accounts and Auditors' Report contained in Banco Santander Totta, S.A.'s Annual Report in respect of the financial years ended 31 December 2014 and 31 December 2015;

(vii) the most recently published audited annual financial statements of Banco Santander Totta, S.A. and related auditors' report and the most recently published interim financial statements of Banco Santander Totta, S.A. (each an English translation) in each case together with any audit or review reports prepared in connection therewith;

Totta Ireland

(viii) the constitutional documents of Totta Ireland;

(ix) the audited financial statements of Totta Ireland and Auditors' report contained in Totta Ireland's Annual Report in respect of the financial years ended 30 November 2013 and 30 November 2014 (each in English) in each case with the audit reports prepared in connection therewith; and

(x) the most recently published audited annual financial statements of Totta Ireland and related auditors' report and the most recently published interim financial statements of Totta Ireland in each case together with any audit or review reports prepared in connection therewith.

Clearing Systems

The Global Notes and Definitive Notes will be accepted for clearance through CBL and Euroclear (which are entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by CBL and Euroclear will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of CBL is Clearstream Banking, 42 Avenue JF Kennedy, L- 1855 Luxembourg.

The Interbolsa Notes will be integrated in and held through Interbolsa as operator of the CVM. The appropriate ISIN for each Tranche of Notes allocated by Interbolsa will be specified in the Final Terms.

The address of Interbolsa is Avenida da Boavista, 3433 – 4100 – 138 Porto, Portugal.

For the time being, Interbolsa will only settle and clear Notes denominated in Euro, U.S. dollars, Sterling, Japanese yen, Swiss francs, Australian dollars and Canadian dollars.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Change

There has been (A) no significant change in the financial or trading position of either (i) BST, the Guarantor or the BST Group since 31 December 2015 or (ii) Totta Ireland since 30 November 2015, and (B) no material adverse change in the financial position or prospects of (i) BST or the Guarantor since 31 December 2015 or (ii) Totta Ireland since 30 November 2015.

Litigation

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which either of the Issuers or the Guarantor is aware) in the twelve months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of either of the Issuers, the Guarantor or the BST Group, save as disclosed under the risk factor "*The auditors' reports scheduled to the audited consolidated financial statements of BST in respect of the financial years ended 31 December 2014 and 31 December 2015 contain emphases"*.

Auditors

Deloitte & Associados, SROC, S.A., which is a member of the Portuguese Institute of Chartered Accountants ("*Ordem dos Revisores Oficiais de Contas"*), audited BST's consolidated accounts in accordance with the auditing standards ("*Normas Técnicas e Directrizes de Revisão/Auditoria*") issued by the Portuguese Institute of Chartered Accountants for each of the financial years ended 31 December 2014 and 31 December 2015.

The Legal Certification of Accounts and Auditor's Reports on the consolidated financial statements for the years ended 31 December 2014 and 31 December 2015 contained unqualified opinions, without prejudice to

the emphases described in the risk factors "*The auditors' reports scheduled to the audited consolidated financial statements of BST in respect of the financial years ended 31 December 2014 and 31 December 2015 contain emphases*".

Deloitte, which is a member of the Institute of Chartered Accountants of Ireland, audited Totta Ireland's accounts in accordance with generally accepted auditing standards in Ireland for each of the financial years ended 30 November 2014 and 30 November 2015.

The auditor's reports on the financial statements for the years ended 30 November 2014 and 30 November 2015 for Totta Ireland contained unqualified opinions.

For a better understanding of the above issues, the reading of the complete versions of the opinions included in the annual reports of BST and Totta Ireland, together with the respective financial statements, is recommended.

Dealers transacting with the Issuers

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuers and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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