

BASE PROSPECTUS



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

**Unipersonal**

(incorporated with limited liability in Spain)

and

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

(incorporated with limited liability in Spain)

guaranteed by

**Banco Santander, S.A.**

(incorporated with limited liability in Spain)

**€32,000,000,000 PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS**

This document (the "**Base Prospectus**") constitutes two base prospectuses for the purposes of Article 5.4 of directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**") (i) a base prospectus relating to instruments (the "**Instruments**") issued under the programme described herein (the "**Programme**") by Santander International Debt, S.A. Unipersonal ("**Santander International**") and guaranteed by Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Guarantor**", the "**Bank**", "**We**" or the "**Parent**"); and (ii) a base prospectus relating to Instruments issued under the Programme by Santander Issuances, S.A. Unipersonal ("**Santander Issuances**" and, together with Santander International, the "**Issuers**" (each an "**Issuer**")) and guaranteed by the Guarantor.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC. This Base Prospectus has been approved on 15 June 2015, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Ireland for the purpose of giving information with regard to the issue of Instruments under the Programme during the period of twelve months after the date of its approval. The Central Bank of Ireland assumes no responsibility as to the economic and financial soundness of the transactions and the quality or solvency of either of the Issuers or the Guarantor. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Instruments which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Instruments to be admitted to the Official List and trading on its regulated market. This Base Prospectus will be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the information stated in points 1 to 13 as information incorporated by reference under Section titled *Information incorporated by Reference* herein will be published on the website of Banco Santander ([www.bancosantander.com](http://www.bancosantander.com)). The Programme also permits Instruments to be issued on the basis that they will be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.

For the purposes of the Directive 2004/109/EC (the "**Transparency Directive**") the Home Member State is Ireland. Santander International has Instruments admitted to trading on the Luxembourg Stock Exchange, on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Scoach) and one issuance that is admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (*Bolsa Mexicana de Valores*). Santander Issuances apart from having Instruments admitted to trading on the Luxembourg Stock Exchange, has one issuance admitted to trading on the London Stock Exchange and two issuances admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (*Bolsa Mexicana de Valores*).

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

There are certain risks related to any issue of Instruments under the Programme, which investors should ensure they fully understand (see "Risk Factors" on pages 27 – 63 of this Base Prospectus). Potential purchasers should note the statements regarding the tax treatment in Spain of income obtained in respect of the Instruments and the disclosure requirements imposed by Law 10/2014, of 26 June 2014 on the relevant Issuer and the Guarantor in relation to the Instruments. In particular, payments on the Instruments may be subject to Spanish withholding

tax if certain information relating to the Instruments is not received by the relevant Issuer and the Guarantor in a timely manner.

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Arrangers for the Programme		
BANCO SANTANDER, S.A.		
MORGAN STANLEY		
Dealers		
BARCLAYS		BNP PARIBAS
BoFA MERRILL LYNCH		CITIGROUP
COMMERZBANK		CREDIT SUISSE
DEUTSCHE BANK		GOLDMAN SACHS INTERNATIONAL
HSBC		J.P. MORGAN
MORGAN STANLEY		NOMURA
SANTANDER GLOBAL BANKING & MARKETS	SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING	
THE ROYAL BANK OF SCOTLAND		UBS INVESTMENT BANK
CRÉDIT AGRICOLE CIB		
15 June 2015		

## ***Important information relating to Public Offers of Instruments***

### **Restrictions on Public Offers of Instruments in Relevant Member States**

Certain Tranches of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Public Offer**". This Base Prospectus has been prepared on a basis that permits Public Offers of Instruments. However, any person making or intending to make a Public Offer of Instruments in Ireland, Luxembourg or any other Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") may only do so if this Base Prospectus has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Issuers have consented to the use of this Base Prospectus in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" and the conditions attached to that consent are complied with by the person making the Public Offer of such Instruments.

Save as provided above, none of the Issuers, the Guarantor and any Dealer have authorised, nor do they authorise, the making of any Public Offer of Instruments in circumstances in which an obligation arises for the Issuers or any Dealer to publish or supplement a prospectus for such offer.

### **Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)**

In the context of a Public Offer of such Instruments, the Issuers and the Guarantor accept responsibility, in the jurisdictions to which the consent to use the Base Prospectus extends, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an "**Investor**") who acquires any Instruments in a Public Offer made by any person to whom the Issuers have given consent to the use of this Base Prospectus (an "**Authorised Offeror**") in that connection, provided that the conditions attached to that consent are complied with by the Authorised Offeror. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuers, the Guarantor or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or Instruments law requirements in relation to any Public Offer and none of the Issuers or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Save as provided below, none of the Issuers, the Guarantor and any Dealer has authorised the making of any Public Offer by any offeror and the Issuers have not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Instruments. Any Public Offer made without the consent of the Issuers is unauthorised and none of the Issuers, the Guarantor and any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.** If, in the context of a Public Offer, an Investor is offered Instruments by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether they can rely on this Base Prospectus and/or who is responsible for its contents they should take legal advice.

### **Consent**

In connection with each Tranche of Instruments and subject to the conditions set out below under "*Common Conditions to Consent*", the Issuers expressly consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of such Instruments during the relevant Offer

Period stated in the applicable Final Terms by the relevant Dealer and/or by any financial intermediary named as an Authorised Offeror in the applicable Final Terms.

### **Common Conditions to Consent**

The conditions to the Issuers' consent are that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms;
- (ii) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in each Relevant Member State, as specified in the applicable Final Terms; and
- (iii) is subject to any other conditions set out in Part B of the applicable Final Terms.

The Issuers' consent referred to above is given for Public Offers of Instruments during the period of twelve months from the date of approval of the Base Prospectus or shorter periods as specified in the Final Terms.

Each Tranche of Instruments may only be offered to Investors as part of a Public Offer in the Relevant Member State(s) specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

**Any financial intermediary who meets all of the conditions set out above who has consent to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) specified in the paragraph below. In addition such financial intermediary will provide information to Investors on the terms and conditions of the Offer at the time the Offer is made.**

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Instruments] (the "**Instruments**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by [Santander International Debt, S.A.U./Santander Issuances, S.A.U.] (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [insert Ireland, Luxembourg or any other relevant Member State] (the "**Offer**") subject to the conditions to such consent, as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".*

### **ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS**

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE INSTRUMENTS CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUERS, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

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

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

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

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

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

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of Instruments which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Instruments may only do so (i) in circumstances in which no obligation arises for the relevant Issuer, the Guarantor 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, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the relevant Issuer, or the Guarantor on its behalf, has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither of the Issuers, nor the Guarantor nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in circumstances in which an

obligation arises for the relevant Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU).

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

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS. ANY STABILISING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

**There are certain risks relating to an investment in the Instruments. See "Risk Factors".**

References herein to the "Terms and Conditions" are to the Terms and Conditions of the Instruments.

Tranches of Instruments may be rated or unrated. Where a Tranche of Instruments is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended, the "**CRA Regulation**") will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Instruments and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

All references in this Base Prospectus to "\$", "U.S.\$" or "U.S. dollars" are to United States dollars, references to "Sterling" and "£" are to pounds sterling, references to "euro", "EUR" and "€" are to the single currency of participating Member States of the European Union and references to "R\$" or "BRL" are to Brazilian Real.

For the avoidance of doubt, uniform resource locators ("**URLs**") given in respect of web-site addresses in the Base Prospectus are inactive textual references only and it is not intended to incorporate the contents of any such web sites into this Base Prospectus nor should the contents of such web sites be deemed to be incorporated into this Base Prospectus.

## CONTENTS

	Page
<b>SUMMARY OF THE PROGRAMME</b> .....	2
<b>RISK FACTORS</b> .....	27
<b>DESCRIPTION OF THE ISSUERS</b> .....	64
1. PERSONS RESPONSIBLE .....	64
1.1 All persons responsible for the information given in the Base Prospectus relating to the Issuers and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office. ....	64
1.2 A declaration by those responsible for the base prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the base prospectus relating to the Issuers is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the base prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the base prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. ....	64
2. STATUTORY AUDITORS .....	64
2.1 Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body). ....	64
2.2 If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material. ....	64
3. SELECTED FINANCIAL INFORMATION .....	64
3.1 Selected historical financial information regarding the issuer, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the issuer. ....	64
4. RISK FACTORS .....	65
4.1 Prominent disclosure of risk factors that may affect the issuer's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors" in the Base Prospectus. ....	65
5. INFORMATION ABOUT THE ISSUER .....	65
5.1 History and development of the Issuer: .....	65
5.1.1 the legal and commercial name of the issuer; .....	65
5.1.2 the place of registration of the issuer and its registration number; .....	65
5.1.3 the date of incorporation and the length of life of the issuer, except where indefinite; .....	65
5.1.4 the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office); and .....	65



5.1.5	any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency. ....	65
5.2	Investments.....	65
5.2.1	a description of the principal investments made since the date of the last published financial statements.....	65
5.2.2	information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments. ....	66
5.2.3	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2. ....	66
6.	BUSINESS OVERVIEW .....	66
6.1	Principal activities: .....	66
6.1.1	a description of the issuer's principal activities stating the main categories of products sold and/or services performed; and .....	66
6.1.2	an indication of any significant new products and/or activities. ....	66
6.2	Principal markets: A brief description of the principal markets in which the issuer competes. ....	66
6.3	The basis for any statements made by the issuer regarding its competitive position. ....	66
7.	ORGANISATIONAL STRUCTURE .....	66
7.1	If the issuer is part of a group, a brief description of the group and of the issuer's position within it. ....	66
7.2	If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence. ....	66
8.	TREND INFORMATION.....	66
8.1	Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements. ....	66
8.2	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.....	67
9.	PROFIT FORECASTS OR ESTIMATES .....	67
9.1	If an issuer chooses to include a profit forecast or a profit estimate, the base prospectus must contain the information items 9.1 and 9.2. ....	67
9.2	A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.....	67
9.3	A report prepared by independent accountants or auditors must be included stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer. ....	67
9.4	The profit forecast or estimate must be prepared on a basis comparable with the historical financial information. ....	67
10.	ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES .....	67
10.1	Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer:.....	67

10.2	Administrative, Management, and Supervisory bodies conflicts of interests: Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect. ....	70
11.	BOARD PRACTICES.....	70
11.1	Details relating to the issuer's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.....	70
11.2	A statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime(s). In the event that the issuer does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime. ....	70
12.	MAJOR SHAREHOLDERS .....	71
12.1	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.....	71
12.2	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.....	71
13.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES .....	71
13.1	Historical Financial Information: Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards for issuers from the Community.....	71
13.2	Financial statements: If the issuer prepares both own and consolidated financial statements, include at least the consolidated financial statements in the base prospectus. ....	72
13.3	Auditing of historical annual financial information. ....	72
13.3.1	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.....	72
13.3.2	An indication of other information in the base prospectus which has been audited by the auditors.....	72
13.3.3	Where financial data in the base prospectus is not extracted from the issuer's audited financial statements state the source of the data and state that the data is un-audited. ....	72
13.4	Age of latest financial information. ....	72
13.4.1	The last year of audited financial information may not be older than 18 months from the date of the base prospectus. ....	72
13.5	Interim and other financial information.....	72
13.5.1	If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the base prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is un-audited or has not been reviewed state that fact.....	72

13.5.2	If the base prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is un-audited state that fact....	72
13.6	Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement. ....	73
13.7	Significant change in the issuer's financial or trading position: A description of any significant change in the financial or trading position of the Issuers which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.....	73
14.	<b>ADDITIONAL INFORMATION</b> .....	75
14.1	<b>Share Capital</b> .....	75
14.1.1	The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.....	75
14.2	<b>Memorandum and Articles of Association.</b> .....	75
14.2.1	The register and the entry number therein, if applicable, and a description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association.....	75
15.	<b>MATERIAL CONTRACTS</b> .....	75
15.1	A brief summary of all material contracts that are not entered into in the ordinary course of the issuer's business, which could result in any group member being under an obligation or entitlement that is material to the issuer's ability to meet its obligation to security holders in respect of the securities being issued. ....	75
16.	<b>THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST</b> .....	75
16.1	Where a statement or report attributed to a person as an expert is included in the Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Base Prospectus.....	75
16.2	Where information has been sourced from a third-party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the issuer shall identify the source(s) of the information. ....	76
17.	<b>DOCUMENTS ON DISPLAY</b> .....	76
17.1	A statement that for the life of the base prospectus the following documents (or copies thereof), where applicable, may be inspected: .....	76
	<b>DESCRIPTION OF THE GUARANTOR</b> .....	77
1.	<b>PERSONS RESPONSIBLE</b> .....	77

1.1	All persons responsible for the information given in this Base Prospectus relating to the guarantor and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office. ....	77
1.2	A declaration by those responsible for this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to the guarantor is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of this Base Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. ....	77
2.	STATUTORY AUDITORS .....	77
2.1	Names and addresses of the guarantor's auditors for the period covered by the historical financial information (together with their membership in a professional body). ....	77
2.2	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material. ....	77
3.	SELECTED FINANCIAL INFORMATION .....	77
3.1	Selected historical financial information regarding the guarantor, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the guarantor. ....	77
3.2	If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet data is satisfied by presenting the year end balance sheet information. ....	78
4.	RISK FACTORS .....	79
4.1	Prominent disclosure of risk factors that may affect the guarantor's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors" in the Base Prospectus. ....	79
5.	INFORMATION ABOUT THE GUARANTOR .....	79
5.1	History and development of the guarantor. ....	79
5.1.1	Legal and trading name of the guarantor .....	79
5.1.2	The place of registration of the guarantor and its registration number. ....	79
5.1.3	The date of incorporation and the length of life of the guarantor, except where indefinite. ....	80
5.1.4	The domicile and legal form of the guarantor, the legislation under which the guarantor operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office). ....	80
5.1.5	Any recent events particular to the guarantor which are to a material extent relevant to the evaluation of the guarantor's solvency. ....	80
5.2	Investments. ....	91
5.2.1	A description of the principal investments made since the date of the last published financial statements. ....	91
5.2.2	Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments. ....	91

5.2.3	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2. ....	91
6.	<b>BUSINESS OVERVIEW</b> .....	92
6.1	Principal activities. ....	92
6.1.1	A brief description of the guarantor's principal activities stating the main categories of products sold and/or services performed.....	92
6.1.2	An indication of any significant new products and/or activities. ....	109
6.2	Principal Markets: A brief description of the principal markets in which the Guarantor competes .....	110
6.3	The basis for any statements made by the Guarantor regarding its competitive position.....	111
7.	<b>ORGANISATIONAL STRUCTURE</b> .....	111
7.1	If the guarantor is part of a group, a brief description of the group and of the guarantor's position within it. ....	111
7.2	If the guarantor is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.....	111
8.	<b>TREND INFORMATION</b> .....	111
8.1	Include a statement that there has been no material adverse change in the prospects of the guarantor since the date of its last published audited financial statements. In the event that the guarantor is unable to make such a statement, provide details of this material adverse change.....	111
8.2	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the guarantor's prospects for at least the current financial year.....	111
9.	<b>PROFIT FORECASTS OR ESTIMATES</b> .....	113
9.1	A statement setting out the principal assumptions upon which the guarantor has based its forecast, or estimate. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; be readily understandable by investors; be specific and precise; and not relate to the general accuracy of the estimates underlying the forecast.....	113
9.2	A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the guarantor.....	113
9.3	The profit forecast or estimate must be prepared on a basis comparable with the historical financial information. ....	113
10.	<b>ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES</b> .....	113
10.1	Names, business addresses and functions in the guarantor of the following persons, and an indication of the principal activities performed by them outside the guarantor where these are significant with respect to the guarantor: .....	113
10.2	Administrative, management, and supervisory bodies conflicts of interests. Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect. ....	115
11.	<b>BOARD PRACTICES</b> .....	116

11.1	Details relating to the guarantor's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.....	116
11.2	A statement as to whether or not the guarantor complies with its country of incorporation's corporate governance regime(s). In the event that the guarantor does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime. ....	116
12.	MAJOR SHAREHOLDERS .....	116
12.1	To the extent known to the guarantor, state whether the guarantor is directly or indirectly owned or controlled and by whom, and describe the nature of such control, and describe the measures in place to ensure that such control is not abused. ....	116
12.2	A description of any arrangements, known to the guarantor, the operation of which may at a subsequent date result in a change in control of the guarantor. ....	117
13.	FINANCIAL INFORMATION CONCERNING THE GUARANTOR'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES .....	117
13.1	Historical Financial Information: Audited historical financial information covering the latest 2 financial years (or such shorter period that the guarantor has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements. ....	117
13.2	Financial statements: If the guarantor prepares both own and consolidated financial statements, include at least the consolidated financial statements in this Base Prospectus.....	117
13.3	Auditing of historical annual financial information. ....	118
13.3.1	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.....	118
13.3.2	An indication of other information relating to the guarantor in this Base Prospectus which has been audited by the auditors.....	118
13.3.3	Where financial data in this Base Prospectus is not extracted from the guarantor's audited financial statements state the source of the data and state that the data is unaudited. ....	118
13.4	Age of latest financial information. ....	118
13.4.1	The last year of audited financial information may not be older than 18 months from the date of this Base Prospectus. ....	118
13.5	Interim and other financial information.....	118
13.5.1	If the guarantor has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in this Base Prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact.....	118
13.5.2	If this Base Prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is unaudited state that fact. ...	119

13.6	Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the guarantor is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the guarantor and/or group's financial position or profitability, or provide an appropriate negative statement. ....	119
13.7	Significant change in the guarantor's financial position: A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement. ....	127
14.	<b>ADDITIONAL INFORMATION</b> .....	128
14.1	<b>Share Capital</b> .....	128
14.1.1	The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.....	128
14.2	<b>Memorandum and Articles of Association.</b> .....	128
14.2.1	The register and the entry number therein, if applicable, and a description of the guarantor's objects and purposes and where they can be found in the memorandum and articles of association.....	128
15.	<b>MATERIAL CONTRACTS</b> .....	128
15.1	A brief summary of all material contracts that are not entered into in the ordinary course of the guarantor's business, which could result in any group member being under an obligation or entitlement that is material to the guarantor's ability to meet its obligation to security holders in respect of the securities being issued. ....	128
16.	<b>THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST</b> .....	128
16.1	Where a statement or report attributed to a person as an expert is included in this Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the guarantor. If the report has been produced at the guarantor's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of this Base Prospectus. ....	128
16.2	Where information has been sourced from a third-party, provide a confirmation that this information has been accurately reproduced and that as far as the guarantor is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the guarantor shall identify the source(s) of the information. ....	129
17.	<b>DOCUMENTS ON DISPLAY</b> .....	129
17.1	A statement that for the life of the Base Prospectus the following documents (or copies thereof), where applicable, may be inspected: .....	129
	<b>DOCUMENTS INCORPORATED BY REFERENCE</b> .....	130
	<b>GENERAL DESCRIPTION OF THE PROGRAMME</b> .....	139
	<b>THE INSTRUMENTS</b> .....	140
1.	<b>PERSONS RESPONSIBLE</b> .....	140

1.1	All persons responsible for the information given in the Base Prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office. ....	140
1.2	A declaration by those responsible for the Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the Base Prospectus that the information contained in the part of the Base Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. ...	140
2.	<b>RISK FACTORS</b> .....	140
2.1	Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed "Risk Factors" in the Base Prospectus.....	140
3.	<b>KEY INFORMATION</b> .....	140
3.1	Interest of natural and legal persons involved in the issue/offer .....	140
3.2	Reasons for the offer and use of proceeds .....	140
4.	<b>INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING</b> .....	141
4.1	A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code. ....	141
4.2	Legislation under which the securities have been created .....	141
4.3	An indication of whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records .....	141
4.4	Currency of the securities issue .....	141
4.5	Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer.....	142
4.6	A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights .....	142
4.7	The nominal interest rate and provisions relating to interest payable.....	142
4.8	Maturity date and arrangements for the amortisation of the loan, including the repayment procedures. Where advance amortisation is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating amortisation terms and conditions. ....	143
4.9	An indication of yield. Describe the method whereby that yield is calculated in summary form .....	144
4.10	Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of where the public may have access to the contracts relating to these forms of representation .....	144
4.11	In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.....	145
4.12	In the case of new issues, the expected issue date of the securities .....	145



4.13	A description of any restrictions on the free transferability of the securities .....	145
4.14	In respect of the country of registered office of the issuer and the country(ies) where the offer being made or admission to trading is being sought: .....	145
-	Information on taxes on the income from the securities withheld at source.....	145
5.	TERMS AND CONDITIONS OF THE OFFER.....	165
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer .....	165
5.1.1	Conditions to which the offer is subject.....	165
5.1.2	Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer. ....	165
5.1.3	The time period, including any possible amendments, during which the offer will be open and description of the application process. ....	165
5.1.4	A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.....	165
5.1.5	Details of the minimum and/or maximum amount of application, (whether in number of securities or aggregate amount to invest). ....	165
5.1.6	Method and time limits for paying up the securities and for delivery of the securities.....	165
5.1.7	A full description of the manner and date in which results of the offer are to be made public. ..	165
5.1.8	The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised. ....	165
5.2	Plan of distribution and allotment .....	166
5.2.1	The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche. ....	166
5.2.2	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made. ....	169
5.3	Pricing .....	169
5.3.1	An indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser.....	169
5.4	Placing and Underwriting .....	169
5.4.1	Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.....	169
5.4.2	Name and address of any paying agents and depository agents in each country. ....	169
5.4.3	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission. ....	170
5.4.4	When the underwriting agreement has been or will be reached. ....	170

5.5	Additional Disclosure Requirements for Derivative Securities (Annex XII) .....	170
5.5.1	A clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident unless the securities have a denomination per unit of at least EUR 100,000 or can only be acquired for at least EUR 100,000 per security.....	170
5.5.2	The exercise price or the final reference price of the underlying. ....	171
5.5.3	A statement setting out the type of the underlying and details of where information on the underlying can be obtained: .....	171
5.5.4	A description of any market disruption or settlement disruption events that affect the underlying. ....	171
5.5.5	Adjustment rules with relation to events concerning the underlying. ....	171
5.5.6	Name and address of a calculation agent. ....	171
5.5.7	An indication in the Base Prospectus whether or not the issuer intends to provide post-issuance information. Where the issuer has indicated that it intends to report such information, the issuer shall specify in the Base Prospectus what information will be reported and where such information can be obtained. ....	171
6.	ADMISSION TO TRADING AND DEALING ARRANGEMENTS.....	172
6.1	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, give the earliest dates on which the securities will be admitted to trading.....	172
6.2	All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.....	172
6.3	Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.....	172
7.	ADDITIONAL INFORMATION .....	172
7.1	If advisors connected with an issue are mentioned in the Base Prospectus, a statement of the capacity in which the advisors have acted. ....	172
7.2	An indication of other information in the Base Prospectus which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report. ....	173
7.3	Where a statement or report attributed to a person as an expert is included in the Base Prospectus, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Base Prospectus.....	173
7.4	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information. ....	173

7.5	Credit ratings assigned to an issuer or its debt securities at the request or with the cooperation of the issuer in the rating process. A brief explanation of the meaning of the ratings if this has previously been published by the rating provider. ....	173
<b>TERMS AND CONDITIONS OF THE INSTRUMENTS .....</b>		<b>175</b>
<b>PAYOUT ANNEX .....</b>		<b>206</b>
<b>EQUITY INDEX-LINKED INTEREST INSTRUMENTS ANNEX .....</b>		<b>213</b>
<b>INFLATION-LINKED INTEREST INSTRUMENTS ANNEX .....</b>		<b>230</b>
<b>PRO FORMA FINAL TERMS .....</b>		<b>239</b>
<b>GUARANTEE BUILDING BLOCK .....</b>		<b>263</b>
1.	NATURE OF THE GUARANTEE.....	263
1.1	A description of any arrangement intended to ensure that any obligation material to the issue will be duly serviced, whether in the form of guarantee, surety, Keep well Agreement, Mono-line Insurance policy or other equivalent commitment (hereafter referred to generically as "guarantees" and their provider as "guarantor" for convenience). ....	263
2.	SCOPE OF THE GUARANTEE .....	263
2.1	Details shall be disclosed about the terms and conditions and scope of the guarantee. Without prejudice to the generality of the foregoing, these details should cover any conditionality on the application of the guarantee in the event of any default under the terms of the security and the material terms of any Mono-line Insurance or Keep well Agreement between the issuer and the guarantor. Details must also be disclosed of any guarantor's power of veto in relation to changes to the security holder's rights, such as is often found in Mono-line Insurance.....	263
<b>FORM OF SENIOR GUARANTEE.....</b>		<b>264</b>
<b>FORM OF SUBORDINATED GUARANTEE .....</b>		<b>271</b>

## SUMMARY OF THE PROGRAMME{ TC "SUMMARY OF THE PROGRAMME" \f C \l "1" }

*Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for this type of securities and Issuers. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary of the programme because of the type of securities and Issuers, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary of the programme with the mention of not applicable.*

### SECTION A – INTRODUCTION AND WARNINGS

Element	
A.1	<p>This summary of the programme should be read as an introduction to the Base Prospectus and the applicable Final Terms. Any decision to invest in any Instruments should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms. Where a claim relating to information contained in the Base Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the applicable Final Terms before the legal proceedings are initiated. No civil liability will attach to the Issuer or the Guarantor in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus and the applicable Final Terms or, if following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Base Prospectus and the applicable Final Terms, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the instruments.</p>
A.2	<p>Certain Tranches of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “<b>Public Offer</b>”.</p> <p><b>[Issue specific summary:</b></p> <p><i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Instruments by the relevant Dealer(s) specified in the Final Terms [and/or] [names of specific financial intermediaries listed in final terms] (each an “<b>Authorised Offeror</b>”) and that publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Instruments] (the "<b>Instruments</b>") described in the Final Terms dated [insert date] (the "<b>Final Terms</b>") published by [Santander International Debt, S.A.U./Santander Issuances, S.A.U.] (the "<b>Issuer</b>"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [insert Ireland, Luxembourg or any other relevant Member State] (the "<b>Offer</b>") subject to the conditions to such consent, as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".</i></p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Public Offers of Instruments during [the period of twelve months from the date of approval of the Base Prospectus] / [the period from [Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] (the "<b>Offer Period</b>").</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in [specify Ireland, Luxembourg or each Relevant Member State in which the particular Tranche of Instruments can be offered] and (c) [specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms].</p> <p><b>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST</b></p>

	<p>LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUERS, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.</p>
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#### SECTION B – ISSUERS AND GUARANTOR

Element	
<b>B.1</b>	<p><b>Legal and commercial name of the Issuers</b></p> <p>Santander International Debt, S.A.U. (“<b>Santander International</b>”) and Santander Issuances, S.A.U. (“<b>Santander Issuances</b>”) (each an “<b>Issuer</b>” and together the “<b>Issuers</b>”).</p>
<b>B.2</b>	<p><b>Domicile / legal form / legislation / country of incorporation</b></p> <p>The registered office address of each of the Issuers is Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain.</p> <p>Each of the Issuers was incorporated in Spain as a limited liability company (<i>sociedad anónima</i>) for an unlimited duration and is subject to the Consolidated Text of Law on Limited Liability Companies 1/2010 dated 2 July (<i>Texto Refundido de la Ley de Sociedades de Capital</i>) (“<b>Spanish Corporations Law</b>”). Each of the Issuers is a wholly-owned subsidiary of Banco Santander, S.A. (the “<b>Guarantor</b>”).</p> <p>Santander International Debt, S.A.U. was incorporated in Spain by a public deed on 21 April 2004 and registered in the Mercantile Registry of Madrid on 5 May 2004. Santander Issuances, S.A.U. was incorporated in Spain by a public deed executed on 27 February 2004 and registered in the Mercantile Registry of Madrid on 2 March 2004.</p>
<b>B.4</b> <b>b</b>	<p><b>Trend information</b></p> <p>The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as other major banks look to increase their market share, combine complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Group expects will increase the overall level of regulation in the markets.</p> <p>The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Santander Group or that would cause the disclosed financial information not to be indicative of its future operating results or its financial condition:</p> <p><i>Economic and Industry Conditions</i></p> <ul style="list-style-type: none"> <li>• general economic or industry conditions in Spain, the U.K., the U.S., other European countries, Brazil, other Latin American countries and the other areas in which the Group has significant business activities or investments;</li> <li>• exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk;</li> <li>• a worsening of the economic environment in Spain, the U.K., other European countries, Brazil, other Latin American countries, and the U.S., and an increase of the volatility in the capital markets;</li> <li>• the effects of a continued decline in real estate prices, particularly in Spain and the U.K.;</li> <li>• monetary and interest rate policies of the European Central Bank and various central banks;</li> <li>• inflation or deflation;</li> <li>• the effects of non-linear market behaviour that cannot be captured by linear statistical models, such as the VaR model the Group uses;</li> <li>• changes in competition and pricing environments;</li> <li>• the inability to hedge some risks economically;</li> <li>• the adequacy of loss reserves;</li> <li>• acquisitions or restructurings of businesses that may not perform in accordance with its expectations;</li> <li>• changes in demographics, consumer spending, investment or saving habits;</li> <li>• potential losses associated with prepayment of its loan and investment portfolio, declines in the value of collateral securing its loan portfolio, and counterparty risk; and</li> <li>• changes in competition and pricing environments as a result of the progressive adoption of the internet for conducting financial services and/or other factors.</li> </ul> <p><i>Political and Governmental Factors</i></p> <ul style="list-style-type: none"> <li>• political stability in Spain, the U.K., other European countries, Latin America and the U.S.;</li> <li>• changes in Spanish, U.K., E.U., Latin American, U.S. or other jurisdictions' laws, regulations or taxes,</li> </ul>

	<p>including changes in regulatory capital and liquidity requirements; and</p> <ul style="list-style-type: none"><li>increased regulation in light of the global financial crisis.</li></ul> <p><i>Transaction and Commercial Factors</i></p> <ul style="list-style-type: none"><li>damage to its reputation;</li><li>its ability to integrate successfully our acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while it integrates these acquisitions; and</li><li>the outcome of its negotiations with business partners and governments.</li></ul> <p><i>Operating Factors</i></p> <ul style="list-style-type: none"><li>potential losses associated with an increase in the level of non-performance by counterparties to other types of financial instruments;</li><li>technical difficulties and/or failure to improve or upgrade its information technology;</li><li>changes in its ability to access liquidity on acceptable terms, including as a result of changes in its credit spreads or a downgrade in its credit ratings or those of its more significant subsidiaries;</li><li>its exposure to operational losses (e.g., failed internal or external processes, people and systems);</li><li>changes in its ability to recruit, retain and develop appropriate senior management and skilled personnel;</li><li>the occurrence of force majeure, such as natural disasters, that impact its operations or impair the asset quality of its loan portfolio; and</li><li>the impact of changes in the composition of its balance sheet on future net interest income.</li></ul>																																										
B.5	<p><b>Description of the Group</b></p> <p>Both the Issuers and the Guarantor are part of Santander Group (or, the “<b>Group</b>”). The Issuers are instrumental companies of the Guarantor which is the parent entity of the Santander Group. As of 31 December 2014, the Group was made up of 833 companies that consolidate by the global integration method. In addition, another 209 companies are either affiliate, multi-group or listed companies in which the Group has more than 5% of its share capital. From these 209 companies, the following are remarkable because of the results they have obtained: Santander Consumer USA Inc., Attijariwafa Bank Société Anonyme, Olivant Investments Switzerland S.A., Federal Reserve Bank of Boston and Zurich Santander Insurance América, S.L.</p>																																										
B.9	<p><b>Profit forecast or estimate</b></p> <p>Not Applicable – no profit forecasts or estimates have been made in the Base Prospectus.</p>																																										
B.10	<p><b>Audit report qualifications</b></p> <p>Not Applicable – no qualifications are contained in any audit report included in the Base Prospectus.</p>																																										
B.12	<p><b>Selected historical key financial information</b></p> <p>The summarised financial statements under Spanish GAAP of the Issuers as of, and for each of the years ended, 31 December 2013 and 31 December 2014 has been extracted without any adjustment from, and is qualified by reference to and should be read in conjunction with, the Issuers’ financial statements in respect of those dates and periods:</p>																																										
	<table><tr><td></td><td colspan="2">As at and for the year ended (in thousand euro)</td></tr><tr><td><b>Santander International</b></td><td><b>31 December 2014</b></td><td><b>31 December 2013</b></td></tr><tr><td>Total Assets.....</td><td>20,315,310</td><td>22,217,635</td></tr><tr><td>Deposits at Banco Santander.....</td><td>19,895,918</td><td>21,743,952</td></tr><tr><td>Debt instruments .....</td><td>20,284,390</td><td>22,196,447</td></tr><tr><td>Share Capital .....</td><td>180</td><td>180</td></tr><tr><td>Profit/(Loss) .....</td><td>1467</td><td>2,414</td></tr></table> <table><tr><td></td><td colspan="2">As at and for the year ended (in thousand euro)</td></tr><tr><td><b>Santander Issuances</b></td><td><b>31 December 2014</b></td><td><b>31 December 2013</b></td></tr><tr><td>Total Assets.....</td><td>5,663,915</td><td>9,753,082</td></tr><tr><td>Deposits at Banco Santander .....</td><td>5,642,482</td><td>9,666,330</td></tr><tr><td>Subordinated debt instruments .....</td><td>5,655,020</td><td>9,678,599</td></tr><tr><td>Share Capital .....</td><td>60</td><td>60</td></tr><tr><td>Profit/(Loss) .....</td><td>80</td><td>283</td></tr></table>		As at and for the year ended (in thousand euro)		<b>Santander International</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	Total Assets.....	20,315,310	22,217,635	Deposits at Banco Santander.....	19,895,918	21,743,952	Debt instruments .....	20,284,390	22,196,447	Share Capital .....	180	180	Profit/(Loss) .....	1467	2,414		As at and for the year ended (in thousand euro)		<b>Santander Issuances</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	Total Assets.....	5,663,915	9,753,082	Deposits at Banco Santander .....	5,642,482	9,666,330	Subordinated debt instruments .....	5,655,020	9,678,599	Share Capital .....	60	60	Profit/(Loss) .....	80	283
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	<p><i>Statements of no significant or material adverse change</i></p>																																										

	There has been no significant change in the financial position of the Issuers since 31 December 2014 and there has been no material adverse change in the prospects of the Issuers since 31 December 2014.
<b>B.13</b>	<b>Events impacting the Issuers' solvency</b> Not Applicable – There are no recent events particular to the Issuers which are to a material extent relevant to the evaluation of the Issuers' solvency.
<b>B.14</b>	<b>Dependence upon other group entities</b> Both the Issuers and the Guarantor are part of Santander Group. The Issuers are instrumental companies of the Guarantor which is the parent entity of the Santander Group. Each Issuer's sole business is raising debt to be on-lent to the Guarantor and other members of the Group on an arm's length basis. Each Issuer is accordingly dependent upon the Guarantor and other members of the Group servicing such loans.
<b>B.15</b>	<b>Principal activities</b> The Issuers' businesses consist on the following: <b>Santander International Debt, S.A.U.:</b> the exclusive object of the company is to issue ordinary or senior debt with the guarantee of the Guarantor. <b>Santander Issuances, S.A.U.:</b> the exclusive object of the company is to issue subordinated debt with the guarantee of the Guarantor.
<b>B.16</b>	<b>Controlling shareholders</b> The Issuers are wholly and directly owned subsidiaries of the Guarantor.
<b>B.17</b>	<b>Credit ratings</b> The Issuers have not been assigned any credit rating by any rating agency. Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "CRA Regulation") will be disclosed in the relevant Final Terms
<b>B.18</b>	<b>Description of the Guarantee</b> The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, receipts and coupons on an unsubordinated basis. Such obligations constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank <i>pari passu</i> and rateably without preference among such obligations of the Guarantor in respect of Senior Instruments and at least <i>pari passu</i> with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the senior guarantee. The Guarantor will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments. Such obligations of the Guarantor constitute direct, unconditional, subordinated and unsecured obligations which, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to the Insolvency Law or equivalent legal provision which replace them in the future, and subject to any applicable legal and statutory exceptions) shall rank, under Article 92.2 of the Insolvency Law (or equivalent legal provisions which replace, substitute or amend it in the future), (i) <i>pari passu</i> with all other contractually subordinated obligations of the Guarantor (other than (1) those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, (2) other subordinated obligations which by law or their terms rank junior to the Guarantor's obligations under the Subordinated Guarantees and (3) any other subordinated obligations which by law and/or their terms, and to the extent permitted by Spanish law, rank senior to the Guarantor's obligations under the Subordinated Guarantees and/or to any subordinated obligations of the Guarantor ranking <i>pari passu</i> with the Subordinated Guarantees); and (ii) junior to any non-subordinated obligations of the Guarantor, any other subordinated obligations which by law and/or their terms, and to the extent permitted by Spanish law, rank senior to the Guarantor's obligations under the Subordinated Guarantees, and any claim on the Guarantor, which becomes subordinated as a consequence of article 92.1° of the Insolvency Law.

B.19	Information about the Guarantor								
	<b>B.1 Legal and commercial name of the Guarantor</b> The legal name of the Guarantor is Banco Santander, S.A. and operates under the trading name of “Santander”.								
	<b>B.2 Domicile / legal form / legislation / country of incorporation</b> The Guarantor is domiciled in Spain and has its registered office at Paseo de Pereda, 9-12, Santander. The principal operating headquarters of the Guarantor are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520. The Guarantor was incorporated in Spain and has the legal form of a public limited liability company ( <i>sociedad anónima</i> ) and is subject to the Spanish Corporations Law. Its activities are subject to special Spanish legislation governing credit institutions in general and to the supervision, control and regulation of the Bank of Spain in particular.								
	<b>B.4b Trend information</b> See Element B.4b above.								
	<b>B.5 Description of the Group</b> See Element B.5 above.								
	<b>B.9 Profit forecast or estimate</b> Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus								
	<b>B.10 Audit report qualifications</b> Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus								
	<b>B.12 Selected historical key financial information</b> The summarised consolidated financial statements of the Group as of, and for each of the years ended, 31 December 2013 and 31 December 2014 and as of, and for the three month period ended 31 March 2015 and 2014, has been extracted without any adjustment from, and is qualified by reference to and should be read in conjunction with, the Guarantor’ consolidated financial statements in respect of those dates and periods:								
	<b>(a) Summarised Consolidated Balance Sheet of the Group under IFRS-IASB for the years ended 31 December 2014, 31 December 2013 and 31 December 2012</b> (Millions of Euros)								
		ASSETS	2014	2013	2012 (*)	LIABILITIES AND EQUITY	2014	2013	2012 (*)
		CASH AND BALANCES WITH CENTRAL BANKS	69,428	77,103	118,488	FINANCIAL LIABILITIES HELD FOR TRADING:	109,792	94,673	143,242
						Deposits from central banks	2,041	3,866	1,128
						Deposits from credit institutions	5,531	7,468	8,292
		FINANCIAL ASSETS HELD FOR TRADING:	148,888	115,289	177,917	Customer deposits	5,544	8,500	8,897
		Loans and advances to credit institutions	1,815	5,503	9,843	Marketable debt securities	-	1	1
		Loans and advances to customers	2,921	5,079	9,162	Trading derivatives	79,048	58,887	109,743
		Debt instruments	54,374	40,841	43,101	Short positions	17,628	15,951	15,181
		Equity instruments	12,920	4,967	5,492	Other financial liabilities	-	-	-
		Trading derivatives	76,858	58,899	110,319				
						OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS:	62,317	42,311	45,418
		OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:	42,673	31,381	28,356	Deposits from central banks	6,321	2,097	1,014
		Loans and advances to credit institutions	28,592	13,444	10,272	Deposits from credit institutions	19,039	9,644	10,862
		Loans and advances to customers	8,971	13,196	13,936	Customer deposits	33,127	26,484	28,638
		Debt instruments	4,231	3,875	3,460	Marketable debt securities	3,830	4,086	4,904
		Equity instruments	879	866	688	Subordinated liabilities	-	-	-
						Other financial liabilities	-	-	-
						FINANCIAL LIABILITIES AT AMORTISED COST:	961,052	863,114	959,321
		AVAILABLE-FOR-SALE FINANCIAL ASSETS:	115,250	83,799	92,266	Deposits from central banks	17,290	9,788	50,938
		Debt instruments	110,249	79,844	87,724	Deposits from credit institutions	105,147	76,534	80,732
		Equity instruments	5,001	3,955	4,542	Customer deposits	608,956	572,853	589,104
						Marketable debt securities	193,059	171,390	201,064
		LOANS AND RECEIVABLES:	781,635	714,484	756,858	Subordinated liabilities	17,132	16,139	18,238
		Loans and advances to credit institutions	51,306	56,017	53,785	Other financial liabilities	19,468	16,410	19,245
		Loans and advances to customers	722,819	650,581	696,014				
		Debt instruments	7,510	7,886	7,059	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	31	87	598
						HEDGING DERIVATIVES	7,255	5,283	6,444
		HELD-TO-MATURITY INVESTMENTS	-	-	-	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	21	1	2



CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	1,782	1,627	2,274	LIABILITIES UNDER INSURANCE CONTRACTS	713	1,430	1,425
HEDGING DERIVATIVES	7,346	8,301	7,936	PROVISIONS:	15,376	14,589	16,002
NON-CURRENT ASSETS HELD FOR SALE	5,376	4,892	5,700	Provision for pensions and similar obligations	9,412	9,126	10,353
INVESTMENTS:	3,471	5,536	4,454	Provisions for taxes and other legal contingencies	2,916	2,727	3,100
Associates	1,775	1,829	1,957	Provisions for contingent liabilities and commitments	654	693	617
Jointly controlled entities	1,696	3,707	2,497	Other provisions	2,394	2,043	1,932
INSURANCE CONTRACTS LINKED TO PENSIONS	345	342	405	TAX LIABILITIES:	9,379	6,079	7,765
REINSURANCE ASSETS	340	356	424	Current	4,852	4,254	5,162
TANGIBLE ASSETS:	23,256	13,654	13,860	Deferred	4,527	1,825	2,603
Property, plant and equipment-	16,889	9,974	10,315	OTHER LIABILITIES	10,646	8,554	8,216
For own use	8,324	7,787	8,136	<b>TOTAL LIABILITIES</b>	<b>1,176,582</b>	<b>1,036,121</b>	<b>1,188,433</b>
Leased out under an operating lease	8,565	2,187	2,179	EQUITY			
Investment property	6,367	3,680	3,545	SHAREHOLDERS' EQUITY:	91,663	84,480	81,269
INTANGIBLE ASSETS:	30,401	26,241	28,062	Share capital	6,292	5,667	5,161
Goodwill	27,548	23,281	24,626	Registered	6,292	5,667	5,161
Other intangible assets	2,853	2,960	3,436	Less: Uncalled capital	-	-	-
TAX ASSETS:	27,956	26,944	27,098	Share premium	38,611	36,804	37,412
Current	5,792	5,751	6,111	Reserves	41,160	38,056	37,100
Deferred	22,164	21,193	20,987	Accumulated reserves (losses)	40,973	37,793	36,845
OTHER ASSETS	8,149	5,814	5,547	Reserves (losses) of entities accounted for using the equity method	187	263	255
Inventories	1,099	80	173	Other equity instruments	265	193	250
Other	7,050	5,734	5,374	Equity component of compound financial instruments	-	-	-
				Other	265	193	250
				Less: Treasury shares	(10)	(9)	(287)
				Profit for the year attributable to the Parent	5,816	4,175	2,283
				Less: Dividends and remuneration	(471)	(406)	(650)
				VALUATION ADJUSTMENTS	(10,858)	(14,152)	(9,472)
				Available-for-sale financial assets	1,560	35	(249)
				Cash flow hedges	204	(233)	(219)
				Hedges of net investments in foreign operations	(3,570)	(1,874)	(2,957)
				Exchange differences	(5,385)	(8,768)	(3,011)
				Non-current assets held for sale	-	-	-
				Entities accounted for using the equity method	(85)	(446)	(152)
				Other valuation adjustments	(3,582)	(2,866)	(2,884)
				NON-CONTROLLING INTERESTS	8,909	9,314	9,415
				Valuation adjustments	(655)	(1,541)	(308)
				Other	9,564	10,855	9,723
				<b>TOTAL EQUITY</b>	<b>89,714</b>	<b>79,642</b>	<b>81,212</b>
<b>TOTAL ASSETS</b>	<b>1,266,296</b>	<b>1,115,763</b>	<b>1,269,645</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,266,296</b>	<b>1,115,763</b>	<b>1,269,645</b>
				MEMORANDUM ITEMS:			
				CONTINGENT LIABILITIES	44,078	41,049	45,033
				CONTINGENT COMMITMENTS	208,040	172,797	216,042

(\*) Presented for comparison purposes only.

**(b) Summarised consolidated Balance Sheet of the Group IFRS-IASB for the three month periods ended 31 March 2015 and 31 December 2014**

(Millions of Euros)

ASSETS	Note	31/03/15	31/12/14 (*)	LIABILITIES AND EQUITY	Note	31/03/15	31/12/14 (*)
CASH AND BALANCES WITH CENTRAL BANKS		67,741	69,428	FINANCIAL LIABILITIES HELD FOR TRADING	9	125,506	109,792
FINANCIAL ASSETS HELD FOR TRADING	5	168,709	148,888	OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	9	64,078	62,317
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	48,892	42,673	FINANCIAL LIABILITIES AT AMORTISED COST	9	1,031,385	961,052
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5	124,536	115,250	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		369	31
LOANS AND RECEIVABLES	5	847,888	781,635	HEDGING DERIVATIVES		10,168	7,255
HELD-TO-MATURITY INVESTMENTS	5	-	-	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-	21
CHANGES IN THE FAIR VALUE OF HEDGED							

ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		1,935	1,782	LIABILITIES UNDER INSURANCE CONTRACTS		670	713
HEDGING DERIVATIVES		7,836	7,346	PROVISIONS	10	15,452	15,376
NON-CURRENT ASSETS HELD FOR SALE	6	5,428	5,376	TAX LIABILITIES:		10,162	9,379
INVESTMENTS:		3,564	3,471	Current		4,876	4,852
Associates		1,930	1,775	Deferred		5,286	4,527
Jointly controlled entities		1,634	1,696	OTHER LIABILITIES		9,795	10,646
INSURANCE CONTRACTS LINKED TO PENSIONS		334	345	<b>TOTAL LIABILITIES</b>		<b>1,267,585</b>	<b>1,176,582</b>
REINSURANCE ASSETS		356	340	SHAREHOLDERS' EQUITY:	11	99,988	91,663
TANGIBLE ASSETS:	7	24,200	23,256	Share capital		7,030	6,292
Property, plant and equipment		18,335	16,889	Share premium		45,226	38,611
Investment property		5,865	6,367	Reserves		45,955	41,160
INTANGIBLE ASSETS:	8	31,706	30,401	Other equity instruments		298	265
Goodwill		28,667	27,548	Less: Treasury shares		(238)	(10)
Other intangible assets		3,039	2,853	Profit for the period attributable to the Parent		1,717	5,816
TAX ASSETS:		28,148	27,956	Less: Dividends and remuneration		-	(471)
Current		5,609	5,792	VALUATION ADJUSTMENTS:	11	(8,072)	(10,858)
Deferred		22,539	22,164	Available-for-sale financial assets		2,031	1,560
OTHER ASSETS		8,417	8,149	Cash flow hedges		285	204
				Hedges of net investments in foreign operations		(4,830)	(3,570)
				Exchange differences		(1,717)	(5,385)
				Non-current assets held for sale		-	-
				Entities accounted for using the equity method		(85)	(85)
				Other valuation adjustments		(3,756)	(3,582)
				NON-CONTROLLING INTERESTS		10,189	8,909
				Valuation adjustments		(374)	(655)
				Other		10,563	9,564
<b>TOTAL ASSETS</b>		<b>1,369,690</b>	<b>1,266,296</b>	<b>EQUITY</b>		<b>102,105</b>	<b>89,714</b>
				<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,369,690</b>	<b>1,266,296</b>
				MEMORANDUM ITEMS:			
				CONTINGENT LIABILITIES		45,153	44,078
				CONTINGENT COMMITMENTS		222,228	208,040

(\*) Presented for comparison purposes only

(c) **Condensed Consolidated Income Statement of the Group IFRS-IASB for the years ended 31 December 2014, 2013 and 2012**

(Millions of Euros)

	(Debit) Credit		
	2014	2013	2012 (*)
Interest and similar income	54,656	51,447	58,791
Interest expense and similar charges	(25,109)	(25,512)	(28,868)
<b>NET INTEREST INCOME</b>	<b>29,547</b>	<b>25,935</b>	<b>29,923</b>
Income from equity instruments	435	378	423
Share of results of entities accounted for using the equity method	243	500	427
Fee and commission income	12,515	12,473	12,732
Fee and commission expense	(2,819)	(2,712)	(2,471)
Gains/losses on financial assets and liabilities (net)	3,974	3,234	3,329
Held for trading	2,377	1,733	1,460
Other financial instruments at fair value through profit or loss	239	(6)	159
Financial instruments not measured at fair value through profit or loss	1,427	1,622	1,789
Other	(69)	(115)	(79)
Exchange differences (net)	(1,124)	160	(189)
Other operating income	5,214	5,903	6,693
Income from insurance and reinsurance contracts issued	3,532	4,724	5,541
Sales and income from the provision of non-financial services	343	322	369
Other	1,339	857	783
Other operating expenses	(5,373)	(6,205)	(6,607)
Expenses of insurance and reinsurance contracts	(3,395)	(4,607)	(4,948)
Changes in inventories	(255)	(229)	(232)
Other	(1,723)	(1,369)	(1,427)
<b>GROSS INCOME</b>	<b>42,612</b>	<b>39,666</b>	<b>44,260</b>
Administrative expenses	(17,899)	(17,452)	(17,801)
Staff costs	(10,242)	(10,069)	(10,306)
Other general administrative expenses	(7,657)	(7,383)	(7,495)
Depreciation and amortisation charge	(2,287)	(2,391)	(2,183)
Provisions (net)	(3,009)	(2,445)	(1,472)
Impairment losses on financial assets (net)	(10,710)	(11,227)	(18,880)
Loans and receivables	(10,521)	(10,986)	(18,523)
Other financial instruments not measured at fair value	(189)	(241)	(357)

<i>through profit or loss</i>			
Impairment losses on other assets (net)	(938)	(503)	(508)
<i>Goodwill and other intangible assets</i>	<i>(701)</i>	<i>(41)</i>	<i>(151)</i>
<i>Other assets</i>	<i>(237)</i>	<i>(462)</i>	<i>(357)</i>
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	3,136	2,152	906
Gains from bargain purchases arising in business combinations	17	-	-
Gains/(losses) on non-current assets held for sale not classified as discontinued operations	(243)	(422)	(757)
<b>PROFIT BEFORE TAX</b>	<b>10,679</b>	<b>7,378</b>	<b>3,565</b>
Income tax	(3,718)	(2,034)	(584)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>6,961</b>	<b>5,344</b>	<b>2,981</b>
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (net)	(26)	(15)	70
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>6,935</b>	<b>5,329</b>	<b>3,051</b>
<i>Profit attributable to the Parent</i>	<i>5,816</i>	<i>4,175</i>	<i>2,283</i>
<i>Profit attributable to non-controlling interests</i>	<i>1,119</i>	<i>1,154</i>	<i>768</i>
<b>EARNINGS PER SHARE</b>			
From continuing and discontinued operations			
<i>Basic earnings per share (euros)</i>	<i>0.48</i>	<i>0.39</i>	<i>0.23</i>
<i>Diluted earnings per share (euros)</i>	<i>0.48</i>	<i>0.38</i>	<i>0.23</i>
From continuing operations			
<i>Basic earnings per share (euros)</i>	<i>0.48</i>	<i>0.39</i>	<i>0.22</i>
<i>Diluted earnings per share (euros)</i>	<i>0.48</i>	<i>0.38</i>	<i>0.22</i>

(\*) Presented for comparison purposes only

**(d) Condensed Consolidated Income Statements of the Group IFRS-IASB for the three-month periods ended 31 March 2015 and 2014**

	Note	(Debit) Credit	
		31/03/15	31/03/14 (*)
INTEREST AND SIMILAR INCOME	12	14,307	13,045
INTEREST EXPENSE AND SIMILAR CHARGES		(6,269)	(6,053)
<b>NET INTEREST INCOME</b>		<b>8,038</b>	<b>6,992</b>
INCOME FROM EQUITY INSTRUMENTS	12	33	31
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		99	65
FEE AND COMMISSION INCOME	12	3,261	2,941
FEE AND COMMISSION EXPENSE		(737)	(610)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	12	(203)	630
EXCHANGE DIFFERENCES (net)		898	137
OTHER OPERATING INCOME	12	969	1,514
OTHER OPERATING EXPENSES		(914)	(1,576)
<b>GROSS INCOME</b>		<b>11,444</b>	<b>10,124</b>
ADMINISTRATIVE EXPENSES		(4,785)	(4,255)
<i>Staff costs</i>		<i>(2,755)</i>	<i>(2,455)</i>
<i>Other general administrative expenses</i>		<i>(2,030)</i>	<i>(1,800)</i>
DEPRECIATION AND AMORTISATION CHARGE		(592)	(591)
PROVISIONS (net)		(603)	(1,360)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net)	5	(2,563)	(2,700)
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	7 & 8	(60)	(382)
GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE		172	2,309
GAINS FROM BARGAIN PURCHASES ARISING IN BUSINESS COMBINATIONS		-	-
GAINS/(LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	6	(24)	(43)
<b>PROFIT BEFORE TAX</b>		<b>2,989</b>	<b>3,102</b>
INCOME TAX		(922)	(1,548)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>2,067</b>	<b>1,554</b>
PROFIT/LOSS FROM DISCONTINUED OPERATIONS (net)		-	-
<b>CONSOLIDATED PROFIT FOR THE PERIOD</b>		<b>2,067</b>	<b>1,554</b>
<i>Profit attributable to the Parent</i>		<i>1,717</i>	<i>1,303</i>
<i>Profit attributable to non-controlling interests</i>		<i>350</i>	<i>251</i>
<b>EARNINGS PER SHARE:</b>			
From continuing and discontinued operations:			
<i>Basic earnings per share (euros)</i>	3	<i>0.12</i>	<i>0.11</i>

	<p><i>Diluted earnings per share (euros)</i></p> <p><i>From continuing operations:</i></p> <p><i>Basic earnings per share (euros)</i></p> <p><i>Diluted earnings per share (euros)</i></p> <p>(*) Presented for comparison purposes only</p>	3	0.12	0.11
		3	0.12	0.11
		3	0.12	0.11
<b>Statements of no significant or material adverse change</b>				
There has been no significant change in the financial position of the Santander Group (including the Guarantor) since 31 March 2015 and there has been no material adverse change in the prospects of the Guarantor since 31 March 2015.				
<p><b>B.13 Events impacting the Guarantor's solvency</b></p> <p>Capital expenditures and divestures:</p> <ul style="list-style-type: none"> <li>• Sale of Altamira Asset Management (platform for managing the recovery of Banco Santander, S.A.'s loans in Spain and for managing and marketing the properties obtained through this activity)</li> <li>• Public offering of shares of Santander Consumer USA</li> <li>• Agreement with El Corte Inglés in the area of consumer finance</li> <li>• Acquisition of GetNet Tecnologia Em Captura e Processamento de Transações H.U.A.H. S.A.</li> <li>• Acquisition of non-controlling interests in Banco Santander (Brasil) S.A.</li> <li>• Sale of part of Custody business in Spain, Mexico and Brazil</li> <li>• Agreement with GE Capital in Sweden, Denmark and Norway</li> <li>• Agreement with Banque PSA Finance</li> <li>• Agreement with CNP to acquire a 51% stake in three insurance companies based in Ireland</li> <li>• Agreement to acquire Carfinco</li> <li>• Metrovacesa, S.A. - this entity is now fully consolidated with the Group</li> <li>• Invitation to tender notes series 22 issued by Santander Issuances, S.A. Unipersonal (the American Securities) for purchase</li> <li>• Invitation to tender certain securities issued by Santander Issuances, S.A. Unipersonal and Santander Perpetual, S.A. Unipersonal (the European Securities) for purchase</li> <li>• Santander sold 5.2% of its Polish unit as KBC places its 16.2% in the market</li> <li>• Agreement with Warburg Pincus and General Atlantic to foster the global development of the Group's asset management unit</li> <li>• Banco Santander (Brasil) optimised its equity structure</li> <li>• Cooperation agreement and purchase of 7.2% stake in Bank of Shanghai</li> <li>• Transfer of interest in Banco Santander (Brasil), S.A.</li> <li>• Merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A.</li> <li>• Valores Santander grant the holders of Valores Santander an option to convert their securities</li> <li>• Invitation to tender certain securitization bonds for cash</li> <li>• Sale of its Colombian unit to the Chilean group Corpbanca</li> <li>• Agreement with Abbey Life Assurance</li> <li>• Placement of shares of Grupo Financiero Santander, S.A.B. de C.V. on the secondary market</li> <li>• Invitation to tender offer</li> <li>• Santander and Elavon agreement</li> <li>• Mergers by absorption of Banesto and Banco Banif</li> <li>• Insurance business in Spain</li> <li>• Capital Increases : As of December 31, 2012, its capital had increased by 1,412,136,547 shares, or 15.85% of its total capital as of December 31, 2011, to 10,321,179,750 shares</li> <li>• Asset quality review</li> <li>• Scrip dividends</li> <li>• Capital increase</li> <li>• Merger of Santander Asset Management and Pioneer Investments</li> </ul>				
<p><b>B.14 Dependence upon other Group entities</b></p> <p>The Guarantor is the Parent Company of the Santander Group. The Guarantor is not dependent upon any other entity</p>				



	<p>without interest coupons attached, deposited: (a) in the case of a global instrument which is not intended to be issued in new global note form (a "<b>Classic Global Note</b>" or "<b>CGN</b>"), as specified in the relevant Final Terms, with or on behalf of a Common Depositary located outside the United States for Euroclear S.A./N.V. ("<b>Euroclear</b>") and Clearstream Banking, société anonyme ("<b>Clearstream, Luxembourg</b>", together with Euroclear, the "<b>ICSDs</b>"); or (b) in the case of a global instrument which is intended to be issued in new global note form (a "<b>New Global Note</b>" or "<b>NGN</b>"), as specified in the relevant Final Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p>Interests in a Temporary Global Instrument will be exchangeable (i) for interests in a permanent global Instrument in bearer form, without coupons (a "<b>Permanent Global Instrument</b>"), or (ii) in whole but not in part for definitive Instruments in bearer form (each, a "<b>Definitive Instrument</b>"), following certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. Bearer Instruments may be exchangeable for Registered Instruments. Registered Instruments will not be exchangeable for Bearer Instruments.</p> <p>The security identification number (ISIN) of the instruments will be set out in the relevant final terms.</p>
<b>C.2</b>	<p><b>Currency of the Securities</b></p> <p>The Instruments may be denominated in any currency subject to compliance with all applicable legal and/or regulatory requirements and/or central bank requirements.</p>
<b>C.5</b>	<p><b>Restrictions on free transferability</b></p> <p>The Instruments may not be transferred prior to the issue date. Selling restrictions apply to offers, sales or transfers of the Instruments under the applicable laws in various jurisdictions. A purchaser of the Instruments is required to make certain agreements and representations as a condition to purchasing the Instruments. For each issue of securities a minimum tradeable amount could be set out in the relevant Final Terms.</p> <p>With regards to Spain, the Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (<i>Law 24/1988 of 28 July of the Securities Market</i>), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments.</p>
<b>C.8</b>	<p><b>Description of the rights attaching to the Securities</b></p> <p><b>Status:</b></p> <p>The Senior Instruments, being Instruments that can only be issued by Santander International, and the receipts and coupons relating to them, constitute direct, unconditional, unsubordinated and unsecured obligations of Santander International and, upon the insolvency of Santander International (and unless they qualify as subordinated claims pursuant to Article 92 of Law 22/2003 (<i>Ley Concursal</i>) of 9 July 2003 (the "<b>Insolvency Law</b>" or "<b>Law 22/2003</b>") or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank <i>pari passu</i> and rateably without preference among themselves and the payment obligations of Santander International under the Senior Instruments, receipts and coupons related to them rank at least <i>pari passu</i> with all other unsecured and unsubordinated indebtedness and monetary obligations involving or otherwise related to borrowed money of Santander International, present or future.</p> <p>The Subordinated Instruments, being Instruments that can only be issued by Santander Issuances, constitute direct, unconditional, subordinated and unsecured obligations of Santander Issuances and, upon the insolvency of Santander Issuances (and unless they qualify as subordinated claims pursuant to the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank, under Article 92.2 of the Insolvency Law (or equivalent legal provisions which replace, substitute or amend it in the future), <i>pari passu</i> without preference or priority among themselves and:</p> <p>(i) <i>pari passu</i> with all other contractually subordinated obligations of Santander Issuances (other than (1) those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law, or equivalent legal provisions which replace them in the future, (2) other subordinated obligations which by law or their terms rank junior to the Subordinated Instruments and (3) any Senior Subordinated Obligations (as defined below)); and</p> <p>(ii) junior to any non-subordinated obligations of Santander Issuances, any Senior Subordinated Obligations (as defined below) and any claim on Santander Issuances, which becomes subordinated as a consequence of article 92.1° of the Insolvency Law.</p> <p>For these purposes, "<b>Senior Subordinated Obligations</b>" means any subordinated obligations of Santander Issuances which by law and/or their terms rank senior to the Subordinated Instruments, and/or to any subordinated</p>

	<p>obligations of Santander Issuances ranking <i>pari passu</i> with the Subordinated Instruments..</p> <p><b>Guarantees:</b></p> <p>The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, receipts and coupons on an unsubordinated basis. Such obligations constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank <i>pari passu</i> and rateably without preference among such obligations of the Guarantor in respect of Senior Instruments and at least <i>pari passu</i> with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the senior guarantee.</p> <p>The Guarantor will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments. Such obligations of the Guarantor constitute direct, unconditional, subordinated and unsecured obligations which, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to the Insolvency Law or equivalent legal provision which replace them in the future, and subject to any applicable legal and statutory exceptions) shall rank, under Article 92.2 of the Insolvency Law (or equivalent legal provisions which replace, substitute or amend it in the future),</p> <p>(i) <i>pari passu</i> with all other contractually subordinated obligations of the Guarantor (other than (1) those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, (2) other subordinated obligations which by law or their terms rank junior to the Guarantor's obligations under the Subordinated Guarantees and (3) any other subordinated obligations which by law and/or their terms, and to the extent permitted by Spanish law, rank senior to the Guarantor's obligations under the Subordinated Guarantees and/or to any subordinated obligations of the Guarantor ranking <i>pari passu</i> with the Subordinated Guarantees); and</p> <p>(ii) junior to any non-subordinated obligations of the Guarantor, any other subordinated obligations which by law and/or their terms, and to the extent permitted by Spanish law, rank senior to the Guarantor's obligations under the Subordinated Guarantees, and any claim on the Guarantor, which becomes subordinated as a consequence of article 92.1º of the Insolvency Law.</p> <p><b>Deed of covenant:</b> The Instruments have the benefit of a deed of covenant dated 15 June 2015.</p> <p><b>Taxation:</b> All amounts payable in respect of the Instruments, the receipts and coupons, the senior guarantee and the subordinated guarantee by one of the Issuers or the Guarantor will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, subject to Condition 7 "Taxation" the relevant Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the holder of any Instrument or coupon of such amounts as would have been received by them had no such withholding or deduction been required.</p> <p>Under Spanish Law 10/2014 and Royal Decree 1065/2007, each as amended, each Issuer and the Guarantor is required to provide to the Spanish tax authorities certain information relating to the Instruments. If The Bank of New York Mellon, London Branch (the "<b>Issue and Paying Agent</b>") fails to provide the relevant Issuer or, as the case may be, the Guarantor with the required information, the relevant Issuer or the Guarantor (as the case may be) will be required to withhold tax and may pay income in respect of the relevant Instruments net of the Spanish withholding tax applicable to such payments, generally at the rate of 19% (exceptionally, during the tax period 2015 the withholding tax rate applicable is 20%).</p> <p>None of the Issuers, the Guarantor, Banco Santander, S.A. and Morgan Stanley &amp; Co. International plc. (the "<b>Arrangers</b>"), Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc., Merrill Lynch International, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and Crédit Agricole Corporate and Investment Bank (all these dealers together with the Arrangers, the "<b>Dealers</b>") or the European clearing systems assumes any responsibility therefor.</p>
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	<p><b>Events of Default:</b></p> <p>For Senior Instruments this includes non-payment, breach of other obligations, winding up, cessation of business, insolvency proceedings and arrangements with creditors of the relevant Issuer or the Guarantor and if the senior guarantee ceases to be a valid and binding obligation of the Guarantor.</p> <p>For Subordinated Instruments this includes non-payment or winding-up of the relevant Issuer or the Guarantor.</p> <p><b>Governing law:</b></p> <p>The issue of the Instruments, including their legal nature (<i>obligaciones u otros valores que reconozcan o creen deuda</i>), the status of the Instruments, the status of the guarantee in respect of the Instruments, the capacity of the Issuers, the relevant corporate resolutions and, when required, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law.</p> <p>The terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and, save for, in each case, the status of the guarantee, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee, are governed by English law.</p>
<b>C.9</b>	<b>Payment Features</b>
	<p>The issue date of the Instruments will be specified in the Final Terms and may not exceed the date of validity of this Base Prospectus. The nominal interest rate that will be received by investors will be set out in the relevant Final Terms and shall be the result of applying the terms and conditions specific to the relevant issue. Applicable interest payment dates will be specified in the Final Terms. Instruments may be issued with any maturity and may be redeemable at the redemption amount specified in the relevant Final Terms, in each case subject to compliance with all applicable legal, regulatory and/or central bank requirements. Early redemption will be permitted for taxation reasons, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms and in accordance with all applicable legal, regulatory and/or central bank requirements. The interest payment component of CMS-Linked Instruments, Equity Index-Linked Instruments and Inflation-Linked Instruments, will be determined by reference to the index specified in the relevant Final Terms. The syndicate of Holders shall be entrusted with the defence of the rights and interests of Holders.</p>
	<b>[Issue specific summary:</b>
Issue Price:	[[●] per cent of the Aggregate Nominal Amount/[●] per Instrument]
Issue Date:	[●]
Calculation Amount:	[●]
Maturity Date :	[●]
	<b>Set out relevant payment features below, completing or, where not relevant, deleting the following provisions:</b>
	<b>A. For variable interest rate Instruments, any of the following Interest Payment Options may apply:</b>
	<i>Interest Payment Option 1</i>
	<i>Calculation Amount * Rate of Interest</i>
	<i>Interest Payment Option 2</i>
(1)	<i>If the Barrier Condition is satisfied:</i>
	<i>Calculation Amount * Rate of Interest<sub>n=1</sub>; or</i>
(2)	<i>If the Barrier Condition is not satisfied:</i>
	<i>Calculation Amount * Rate of Interest<sub>n=2</sub></i>
	<i>Interest amounts if any become due on the relevant Interest Payment Date(s) specified below. [The yield of the Instruments is [●]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.(insert if Fixed Rate Instruments only)]</i>
	<b>Set out the relevant definitions from the below, completing or, where not relevant, deleting the following provisions:</b>
	For these purposes:
	<i>"Asset" means [insert the relevant definition of Asset] [in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset].</i>
	<i>"Asset Class" means [shares] [and] [/] [equity index(ices)] [and] [/] [exchange traded funds] [and] [/] [inflation index(ices)] [and] [/] [Fixed Income Benchmark (s)].</i>
	<i>"Asset Early" [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is][as specified in the table below: insert table] [,] [Barrier].</i>



" <b>Asset Early Performance</b> " means the [Early Performance] [Early Performance (Call Spread)] [Early Performance (Rolling Lookback)] [Early Weighted Performance] of the [Asset] [Early Laggard] [Early Outperformer].
" <b>Asset Final</b> " means [the] [Max] [Min] [Asset Level on the Final Valuation Date] [Average Level] [,] [Observation Level].
" <b>Asset Final Performance</b> " means the [Final Performance] [Final Performance (Call Spread)] [Final Performance (Lookback)] [Final Performance (Temporis)] [Final Weighted Performance] [Enhanced Weighted Performance] [Upside Performance] [Downside Performance] [Weighted Performance] of the [Asset] [Final Laggard] [Final Outperformer].
" <b>Asset Initial</b> " means [the] [Max] [Min] [Asset Level on the Initial Valuation Date] [Average Level] [Observation Level] [,] [Barrier].
" <b>Asset Level</b> " means the [Opening Level] [Closing Level] [Intraday Level] [Observation Level] [observation level] of the relevant Asset.
" <b>Asset Lookback</b> " [means the] [Asset Level [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]]] [Average Level], [is as specified in the table below: insert table].
" <b>Average Level</b> " means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Calculation Agent on each Averaging Date.
" <b>Averaging Date</b> " means each of [●].
" <b>Barrier</b> " means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n * [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].
" <b>Barrier (Early)</b> " means:
(a) where Barrier Condition Early (European) is applicable:
[[●] per cent.] [n * [●] per cent.]; or
(b) where Barrier Condition Early (Bermudan) is applicable:
[[●] per cent.] [n * [●] per cent.]; or
(c) where Barrier Condition Early (American) is applicable:
[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].
" <b>Barrier (Final)</b> " means:
(a) where Barrier Condition Final (European) is applicable, [●] per cent.; or
(b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.
" <b>Barrier Condition</b> " shall mean [Barrier Condition Early] [Barrier Condition Final].
" <b>Barrier Condition Early</b> " shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].
" <b>Barrier Condition Early (American)</b> " shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).
" <b>Barrier Condition Early (Bermudan)</b> " shall be deemed satisfied if the Calculation Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).
" <b>Barrier Condition Early (European)</b> " shall be deemed satisfied if the Calculation Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).
" <b>Barrier Condition Final</b> " shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].
" <b>Barrier Condition Final (American)</b> " shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).
" <b>Barrier Condition Final (European)</b> " shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] Barrier (Final).
" <b>Barrier Early Calculation Date</b> " means [date to be specified] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].
" <b>Barrier Return</b> " shall mean an amount determined by the Calculation Agent in accordance with the following methodology:-

(a)	if Asset Final Performance is greater than [or equal to] the Barrier,
	<b>[●] per cent.</b>
(b)	if Asset Final Performance is less than [or equal to] the Barrier:
	<b>Max[(Cap [+/-] (Participation * Asset Final Performance)), Floor]</b>
	<b>"Basket Asset"</b> means an Asset that is a constituent of a basket of Assets.
	<b>"Cap"</b> means [●] per cent.
	<b>"Closing Level"</b> means, the closing level of the relevant Asset.
	<b>"Downside Performance"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
	$\frac{\text{AssetInitial} - \text{AssetFinal}}{\text{AssetInitial}}$
	<b>"Early Laggard"</b> shall mean in relation to the [Scheduled Observation Date],[Valuation Date],[Calculation Date], the Asset with the lowest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Laggard acting in good faith and in a commercially reasonable manner.
	<b>"Early Outperformer"</b> shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the highest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Outperformer acting in good faith and in a commercially reasonable manner.
	<b>"Early Performance"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
	$\frac{\text{AssetEarly}}{\text{AssetInitial}}$
	<b>"Early Performance (Call Spread)"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
	$\frac{\text{AssetEarly}}{\text{AssetInitial}} - 1$
	<b>"Early Performance (Rolling Lookback)"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
	$\frac{\text{AssetEarly}}{\text{AssetLookback}} - 1$
	<b>"Early Weighted Performance"</b> means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
	$W \times \frac{\text{AssetEarly} - \text{AssetInitial}}{\text{AssetInitial}}$
	<b>"Enhanced Weighted Performance"</b> means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
	$W * \text{Upside Performance}$
	<b>"ETF"</b> means (in respect of an ETF Share) an Exchange Traded Fund.
	<b>"ETF Issuer"</b> means, in respect of an Exchange Traded Fund, the entity specified in the applicable Final Terms as the issuer of that Exchange Traded Fund.
	<b>"ETF Share"</b> means, in respect of an Exchange Traded Fund, the share, unit or other interest or unit of holding in the ETF Issuer (including, without limitation, any debt security) issued to or held by an investor in respect of the relevant Exchange Traded Fund.
	<b>"Exchange Traded Fund"</b> means each fund that is specified in the applicable Final Terms as an ETF.
	<b>"Final Laggard"</b> shall mean the Asset with the lowest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level] as determined by the Calculation Agent in respect of the relevant

date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Laggard acting in good faith and in a commercially reasonable manner.
<b>"Final Outperformer"</b> shall mean the Asset with the highest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level], as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Outperformer acting in good faith and in a commercially reasonable manner.
<b>"Final Performance"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
$\frac{\text{AssetFinal}}{\text{AssetInitial}}$
<b>"Final Performance (Call Spread)"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
$\frac{\text{AssetFinal}}{\text{AssetInitial}} - 1$
<b>"Final Performance (Lookback)"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
$\frac{\text{AssetFinal}}{\text{Max}[(\text{Participation} \times \text{AssetInitial}), \text{Observation Level}]}$
<b>"Final Performance (Temporis)"</b> means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
$\frac{\text{AssetFinal} - \text{AssetLookback}}{\text{AssetInitial}}$
<b>"Final Valuation Date"</b> means [●].
<b>"Final Weighted Performance"</b> means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
$W \times \frac{\text{AssetFinal} - \text{AssetInitial}}{\text{AssetInitial}}$
<b>"Fixed Income Benchmark"</b> shall mean the relevant Rate of Interest specified as such in the applicable Final Terms.
<b>"Floor"</b> means [●] per cent.
<b>"i"</b> shall mean the corresponding number related to a defined term within the Conditions as specified herein.
<b>"Initial Valuation Date"</b> means [●].
<b>"Interest Payment Date(s)"</b> means [●].
<b>"Intraday Level"</b> means the intraday level of the relevant Asset.
<b>"Max"</b> followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.
<b>"Min"</b> followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.
<b>"n"</b> shall mean the corresponding number related to a defined term within the Conditions as specified herein.
<b>"Observation Days"</b> means the total number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period].
<b>"Observation Level"</b> means [the Opening Level] [the lowest Closing Level observed on each Scheduled Observation Date] [the highest Closing Level observed on each Scheduled Observation Date] [the level of the Asset][the Rate of Interest] observed by the Calculation Agent on the relevant [Initial Valuation Date] [Scheduled Observation Date] at [insert time] [the level of the relevant Asset scheduled to be published by the Inflation Index Sponsor for the Reference Month of [●] where the relevant Asset Class is an Inflation Index]

" <b>Observation Period</b> " means [●].
" <b>Opening Level</b> " means the opening level of the relevant Asset.
" <b>Paid Interest</b> " means, in respect of an Instrument, the sum of all interest paid in respect of that Instrument from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.
" <b>Participation</b> " means [●] per cent.
" <b>Range Condition</b> " shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Calculation Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum.]
" <b>Range Days</b> " means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.
" <b>Rate of Interest</b> " shall mean in connection with the relevant Coupon Payout [Insert one of:]
[[●] per cent.] [per annum];
Screen Rate Determination;
ISDA Determination;
(n * [●] per cent.);
[(n * [●] per cent.)] – Paid Interest;
Max(Floor, Min(Cap, Participation * Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];
$\left( [●] \text{ per cent} \times \frac{\text{RangeDays}}{\text{Observation Days}} \right); \text{ or}$
[the applicable percentage rate specified in the table below: insert table.]
" <b>Scheduled Observation Date</b> " means [insert date(s)] [each Scheduled Trading Day in the Observation Period].
" <b>Single Asset</b> " means a single Asset.
" <b>t</b> " shall mean the corresponding number related to a defined term within the Conditions as specified herein.
" <b>Trade Date</b> " means [●].
" <b>Upside Performance</b> " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:
$\frac{\text{AssetFinal} - (\text{Barrier} * \text{AssetInitial})}{\text{AssetInitial}}$
" <b>Valuation Date</b> " means [specify date(s)] [each Scheduled Trading Day in the Observation Period] [subject to adjustment].
" <b>W</b> " means the weighting in respect of the relevant Basket Asset, as specified in the table below: insert table:
" <b>Weighted Performance</b> " means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
$W * \text{Final Performance}$
The above provisions are subject to adjustment as provided in the conditions of the Instruments to take into account events in relation to the Asset(s) or the Instruments. This may lead to adjustments being made to the Instruments or in some cases the Instruments being terminated early at an early redemption or cancellation amount.
<b>B. Equity Index-Linked Interest Instruments:</b>
The below provisions are subject to adjustment as provided in the conditions of the Instruments:
<b>PART I – European Call</b>
<b>Structure 1:</b>
<b>Single Share Index Linked Instruments:</b>
The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:
(a) if the Final Price of the Share Index is higher than Strike Price, the following Coupon A:
$\text{Calculation Amount} \times \left( \frac{\text{Final Price} - \text{Strike Price}}{\text{Initial Price}} \right)$
(b) if the Final Price of the Share Index is equal to or lower than the Strike Price, Coupon B (which may be zero).
<b>Definitions:</b>
" <b>Coupon B</b> " means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.
" <b>Coupon B Percentage</b> " has the meaning given in the relevant Final Terms.
" <b>Final Price</b> " means the Official Closing Level of the Share Index on the Final Price Date.
" <b>Final Price Date</b> " has the meaning given in the relevant Final Terms.

**"Initial Price"** means the Official Closing Level of the Share Index on Initial Price Date.

**"Initial Price Date"** has the meaning given in the relevant Final Terms.

**"Official Closing Level"** means, on any day, the official closing level of the Share Index.

**"Strike Price"** means a percentage of the Initial Price as specified in the relevant Final Terms.

**[Share Index Basket Linked Instruments:**

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) If the Final Price of all the Indices comprised in the Basket is higher than the relevant Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left( \frac{\text{Final Price}_{(a)} - \text{Strike Price}_{(a)}}{\text{Initial Price}_{(a)}} \right)$$

Where:

**"Final Price<sub>(a)</sub>"** is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio.

**"Initial Price<sub>(a)</sub>"** is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio.

**"Strike Price<sub>(a)</sub>"** is the Strike Price of the Share Index of the Basket with the lowest Depreciation Ratio.

**"Depreciation Ratio"** means

$$\left( \frac{\text{Final Price}}{\text{Initial Price}} \right)$$

- (b) Otherwise, Coupon B (which may be zero).

**Definitions:**

**"Basket"** means each and every Share Index specified in the Final Terms.

**"Coupon B"** means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

**"Coupon B Percentage"** has the meaning given in the relevant Final Terms.

**"Final Price"** means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on the Final Price Date.

**"Final Price Date"** has the meaning given in the relevant Final Terms.

**"Initial Price"** means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on Initial Price Date.

**"Initial Price Date"** has the meaning given in the relevant Final Terms.

**"Official Closing Level"** means, on any day, the official closing level of the Share.

**"Strike Price"** means a percentage of the Initial Price as specified in the Final Terms.

**PART 2 – European Call Up & Out**

**Structure 2:**

**Single Share Index Linked Instruments:**

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index is at any point equal to or higher than Barrier A, Coupon A; or

- (b) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index has never been equal to or higher than Barrier A:

- (i) if the Final Price of the Share Index is higher than the Initial Price, the following Coupon B:

$$\text{Calculation Amount} \times \left( \frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right)$$

- (ii) if the Final Price of the Share Index is equal to or lower than the Initial Price, Coupon C (which may be zero).

**Definitions:**

**"Barrier A"** means a percentage of the Initial Price as specified in the Final Terms.

**"Coupon A Percentage"** has the meaning given in the relevant Final Terms.

**"Coupon A"** means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage.

**"Coupon C Percentage"** has the meaning given in the relevant Final Terms.

**"Coupon C"** means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon C Percentage.

**"Final Price Date"** has the meaning given in the relevant Final Terms.

**"Final Price"** means the Official Closing Level of the Share Index on the Final Price Date.

"Initial Price Date" has the meaning given in the relevant Final Terms.

"Initial Price" means the Official Closing Level of the Share Index on Initial Price Date.

"Official Closing Level" means, on any day, the official closing price of the Index.

### PART 3 – Call Spread

#### Structure 3:

#### Share Index Basket Linked Instruments

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

$$\text{Calculation Amount} \times \left( \text{Min} \left[ \text{CapLevel}; \frac{\sum_{i=1}^J \frac{\text{Final Price}_i - \text{Initial Price}_i}{\text{Initial Price}_i}}{J} \right] \right)$$

Where:

"Final Price<sub>i</sub>" is the Final Price of the Share Index<sub>i</sub>.

"Initial Price<sub>i</sub>" is the Initial Price of the Share Index<sub>i</sub>.

"J" is the total number of Shares comprised in the Basket.

#### Definitions:

"Basket" means each and every Share Index specified in the applicable Final Terms.

"Cap Level" has the meaning given to it in the relevant Final Terms.

"Final Price" means, for each Share Index comprised in the Basket, the Official Closing Level on the Final Price Date.

"Final Price Date" has the meaning given to it in the relevant Final Terms.

"Initial Price" means the maximum Official Closing Level of all the Share Indices comprised in the Basket during the Initial Price Determination Period.

"Initial Price Determination Period" has the meaning given to it in the relevant Final Terms.

"Official Closing Level" means on any day, the official closing level of a Share Index.

#### C. Inflation-Linked Interest Instruments:

The below provisions are subject to adjustment as provided in the Terms and Conditions of the Instruments:

Inflation Linked interest payment based on a fixed rate of interest:

$$\text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]$$

Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate:

$$\text{Max} [\text{Floor}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

Inflation Linked interest payment plus a Margin:

$$(I_T/I_0) + \text{Margin}$$

Inflation Linked interest payment plus a Margin subject to a minimum interest rate:

$$\text{Max} [\text{Floor}; (I_T/I_0) + \text{Margin}]$$

Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate:

$$\text{Min} [\text{Cap}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

Inflation Linked interest payment plus a Margin subject to a maximum interest rate:

$$\text{Min} [\text{Cap}; (I_T/I_0) + \text{Margin}]$$

#### Definitions:

"Cap" has the meaning given to it in the relevant Final Terms;

"Fixed Rate of Interest" has the meaning given to it in the relevant Final Terms;

"I<sub>0</sub>" means Inflation Index observation level for Reference Month T<sub>start</sub>;

"I<sub>T</sub>" means Inflation Index observation level for Reference Month T;

"Floor" has the meaning given to it in the relevant Final Terms;

"Margin" has the meaning given to it in the relevant Final Terms;

"Reference Month T<sub>start</sub>" has the meaning given to it in the relevant Final Terms;

"Reference Month T" has the meaning given to it in the relevant Final Terms;

"T" has the meaning given to it in the relevant Final Terms; and

"T<sub>start</sub>" has the meaning given to it in the relevant Final Terms.

#### C.10

#### Derivative component on interest

The Issuers may issue Instruments with a derivative component on the interest payment.

Instruments can bear fixed rates, reset rates, floating rates, variable interest rates and also with interest determined by reference to an index (such as CMS-Linked Instruments, Equity Index-Linked Instruments and Inflation-Linked Instruments).

	None of the Share Indices or the Inflation Indices that may be used as reference to calculate the interest payment under the Instruments will be proprietary indices.
	<b>[Issue specific summary:</b>
	[Not applicable – The Instruments do not have a derivative component in the interest payment] / [The interests of the Instruments are determined by reference [to an Equity or Inflation index]. [None of the Share Indices or the Inflation Indices that may be used as reference to calculate the interest payment under the Instruments will be proprietary indices.]
<b>C.11</b>	<b>Listing and Admission to trading</b> Each Series may be listed on the official list of the Irish Stock Exchange and traded on the regulated market of the Irish Stock Exchange and/or any other listing authority, stock exchange and/or quotation system (each, a " <b>Stock Exchange</b> ") (as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer and specified in the relevant Final Terms) or may be unlisted. Under Spanish law, unlisted Instruments are subject to a different tax regime than that applicable to listed Instruments and, if issued under the Programme, such Instruments will be the subject of a supplement to the Base Prospectus.
<b>C.15</b>	<b>Description of how the value of the Securities is affected by the value of the underlying Asset</b> The following table sets out illustrative values of the amounts payable per Instrument on the relevant Interest Payment Date. The value of the Underlying will only affect the interest payments but not the principal amounts. <b>[Issue specific summary [This Element C.15 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:</b> [insert table] These Instruments are derivative securities and their value may go down as well as up.] Worst case scenario: In a worst case scenario the amount payable per Calculation Amount at the [Interest Payment Date] will be [ ] if [ ] [Not Applicable]
<b>C.16</b>	<b>Expiration Date or Maturity Date of the Instruments</b> <b>[Issue specific summary [This Element C.16 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:</b> [The Maturity Date of the Securities is [ ● ], subject to adjustment] [or, if earlier the date on which the [Call] [Put] Option is exercised], subject to adjustment.]
<b>C.17</b>	<b>Settlement procedures of the Instruments</b> The Instruments will be settled on the Maturity Date at the relevant amount per Instrument. <b>[For the purposes of the Issue specific summary: This Element C.17 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]</b>
<b>C.18</b>	<b>Description of how the return on derivative securities takes place</b> <b>[Issue specific summary [This Element C.18 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:</b> For variable interest Instruments, the return is illustrated in item C.10 above. These Instruments are derivative securities and their value may go down as well as up.]
<b>C.19</b>	<b>The exercise price or the final reference price of the underlying</b> [This Element C.19 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004(as amended)] [Not Applicable]
<b>C.20</b>	<b>A description of the type of the underlying and where the information of the underlying can be found</b> Equity index(es) and inflation index(ices). [This Element C.20 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004(as amended)] [list all Index in each case followed by: See [Bloomberg] [Reuters] Screen [●]Page [●]

#### SECTION D – RISKS

Element	
<b>D.2</b>	<b>Key risks regarding the Issuers and the Guarantor</b> Each Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Instruments under the Programme and on-lending the proceeds within the Santander Group. Each Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the relevant Issuer to fulfil its obligations under Instruments issued under the Programme. The main risks relating to the Santander Group operation are, amongst others:

- Because the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom, Latin America and the United States, adverse changes affecting the economies of Continental Europe, the United Kingdom, certain Latin America countries or the United States could adversely affect the Group's financial condition.
- The Group is vulnerable to disruptions and volatility in the global financial markets.
- The Group may suffer adverse effects as a result of the ongoing economic and sovereign debt tensions in the Eurozone.
- Exposure to sovereign debt could have a material adverse effect on the Group.
- The Group growth, asset quality and profitability in Latin America may be adversely affected by volatile macroeconomic and political conditions.
- The Group is exposed to risk of loss from legal and regulatory proceedings.
- The Group is subject to substantial regulation which could adversely affect its business and operations.
- The Group is subject to review by taxing authorities, and an incorrect interpretation by the Group of their laws and regulations may have a material adverse effect on the Group.
- The Group may not be able to detect money laundering and other illegal or improper activities fully or on timely basis, which could expose the Group to additional liability and could have a material adverse effect on it.
- Changes in taxes and other assessments may adversely affect the Group.
- Changes in accounting standards could impact reported earnings.
- The Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of the Group operations and financial position.
- Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud.
- Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group.
- Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and its cost of funds. Any downgrading in the Group's credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of the Group's derivative contracts and adversely affect its margins and results of operations.
- Failure to successfully implement and continue to improve the Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the Group, and the Group may be exposed to unidentified or unanticipated risks.
- If the Group is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if the Group's loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on the Group.
- The Group's loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on the Group.
- The value of the collateral securing the Group's loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing its loan portfolio.
- The Group is subject to counterparty risk in its banking business.
- The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect the Group.
- Market conditions have resulted and could result in material changes to the estimated fair values of the Group's financial assets. Negative fair value adjustments could have a material adverse effect on the Group's operating results, financial condition and prospects.
- The Group is subject to market, operational and other related risks associated with the Group's derivative transactions that could have a material adverse effect on the Group.
- The financial problems faced by the Group's customers could adversely affect the Group.
- Changes in the Group's pension liabilities and obligations could have a material adverse effect on the Group.
- The Group depends in part upon dividends and other funds from subsidiaries.
- Increased competition and industry consolidation may adversely affect the Group's results of operations.
- The Group's ability to maintain its competitive position depends, in part, on the success of new products and services the Group offers its clients and the Group's ability to continue offering products and services from third parties, and the Group may not be able to manage various risks it faces as the Group expands its range of products and services that could have a material adverse effect on the Group.
- If the Group is unable to manage the growth of its operations this could have an adverse impact on its profitability.
- Goodwill impairments may be required in relation to acquired businesses.
- The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel.
- The Group relies on third parties for important products and services.



	<ul style="list-style-type: none"> <li>• Damage to the Group's reputation could cause harm to the Group's business prospects.</li> <li>• The Group engages in transactions with its subsidiaries or affiliates that others may not consider to be on an arm's-length basis.</li> <li>• Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.</li> <li>• Risks relating to data collection, processing and storage systems are inherent in the Group business.</li> <li>• Failure to protect personal information could adversely affect the Group.</li> </ul>
<b>D.3</b>	<p><b>Key risks regarding the Securities</b></p> <p>There are also risks associated with the Instruments and with the markets. These risks may include, amongst others:</p> <ul style="list-style-type: none"> <li>• Taxation in Spain: Under Spanish Law, payments of income in respect of the listed Instruments will not be subject to Spanish withholding tax provided that the relevant Issuer or the Guarantor receives certain information concerning the Instruments. If such information is not received by the relevant Issuer or the Guarantor, as the case may, it will be required to apply Spanish withholding tax to any payment of interest in respect of the relevant Instruments, or income arising from the payment of Instruments issued below par;</li> <li>• The US Hiring Incentives to Restore Employment Act withholding may affect payments on the Instruments;</li> <li>• U.S. Foreign Account Tax Compliance Act Withholding;</li> <li>• Withholding under the EU Savings Directive;</li> <li>• The implementation of the EU Crisis Management Directive could materially affect the value of any Instruments.</li> <li>• The Commissioner (which owes certain obligations to the Syndicate of Holders (as described in the Issue and Paying Agency Agreement) will be appointed by the relevant Issuer and may also be an employee or officer of such Issuer or of the Guarantor;</li> <li>• The Spanish Insolvency Law, provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (<i>administradores concursales</i>) within a certain period, (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated. In addition, recent amendments to the Insolvency Law have been implemented which, in certain instances, have the effect of modifying or impairing creditors' rights;</li> <li>• Prospective investors should make their own evaluations to determine whether an investment in the Instruments is appropriate in their particular circumstances and should consult with their legal, business and tax advisers accordingly;</li> <li>• Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market;</li> <li>• Instruments may be redeemable at the relevant Issuer's option in certain circumstances. If such option is exercised, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Instruments.</li> <li>• Because the Global Instruments are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer and/or the Guarantor;</li> <li>• Instruments subject to optional redemption by the Issuers, which is likely to limit their market value.</li> <li>• In accordance with applicable regulations, the Subordinated Instruments may not be early redeemed due to the non-payment of the Subordinated Instruments, or of other debts of the Issuer or of any members of its group.</li> <li>• The Group may issue Instruments with interest determined by reference to an inflation or equity index (each, a Relevant Index). Potential investors should be aware that the market price of such Instruments may be volatile and that they may receive no interest. In addition, potential investors should be aware that: (i) a Relevant Index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; (ii) if a Relevant Index is applied to Instruments in conjunction with a multiplier greater than one (or contains some other leverage factor) the effect of changes in the Relevant Index on interest payable likely will be magnified; and (iii) the timing of changes in a Relevant Index may affect the actual yield to investors.</li> <li>• The Issuers may issue Instruments where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its interest payments.</li> <li>• The Issuers may issue Inverse Floating Rate Instruments which 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 Instruments 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).</li> </ul>

	<ul style="list-style-type: none"> <li>• The Issuers may issue Fixed/Floating Rate Instruments. Such Instruments may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Instruments since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing.</li> <li>• The Issuers may issue Instruments at a substantial discount or premium from their principal amount. The market values of such Instruments tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.</li> <li>• The investment in Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments entails certain risks and it is only suitable for certain potential kind of investors.</li> <li>• The terms of Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments differ from those of ordinary debt securities and may not pay interest on maturity, depending on the performance of the relevant underlying Index or Share Index.</li> <li>• The value of Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments may be influenced by unpredictable factors beyond the Issuer's and the Guarantor's control.</li> <li>• There are certain considerations regarding the use of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments as hedging instruments involving correlation risks.</li> <li>• The effect of the liquidity of the relevant underlying Index or Share Index on Equity Index- Linked Interest Instruments and Inflation Linked Interest Instruments pricing.</li> <li>• Exchange rates and exchange controls may affect the value or return of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments.</li> <li>• Investors have no shareholder rights.</li> <li>• Potential conflicts of interest between the investor and the Calculation Agent.</li> <li>• The Calculation Agent may determine that a Market Disruption Event or a failure to open of an Exchange or Related Exchange has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Instruments.</li> <li>• When determining the value and/or performance of the relevant underlying Indices or Share Indices in respect of a Series of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may provide for a cap or be subjected to a floor, such that any value and/or performance of the relevant underlying Index or Share Index (or individual basket components) in excess or below the applicable cap or floor, respectively, will not be taken into account for the purposes of the relevant determination.</li> <li>• Santander Issuances' obligations under Subordinated Instruments will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of Santander Issuances. The Guarantor's obligations under the Subordinated Guarantee will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Guarantor.</li> <li>• One or more independent credit rating agencies may assign credit ratings to the Instruments. 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 Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.</li> </ul> <p>Additionally, the risks relating to investment in the Instruments depend on their features and may include, <i>inter alia</i>, risks relating to (but not limited to) operational/business risk, credit risk, liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, hedging and potential conflicts of interest, tax liabilities, expenses and taxation, third party risk, structural risks relating to particular Instruments, including with respect to certain underlying, no claim against the reference item(s) to which the Instruments relate, exchange rate risks, settlement disruption, illegality and cancellation, time lag after redemption or exercise, settlement risk, possible illiquidity of Instruments, equity risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, optional redemption, a requirement to hold a minimum amount of Instruments, transfer restrictions and exchange, listing and legal regulation risk.</p>
<b>D.6</b>	<p><b>Risk Warning [Issue Specific Summary: This Element D.6 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]</b></p> <ul style="list-style-type: none"> <li>• the Instruments issued under this Base Prospectus, including Structured Instruments, cannot have a negative yield for the investor. The Structured Instruments return is linked to the performance of one or more underlying (such as indices, or baskets of indices);</li> <li>• the Issue Price of the Instruments may be more than the market value of such Instruments as at the Issue Date, and the price of the Instruments in secondary market transactions; and</li> </ul>

	<ul style="list-style-type: none"> <li>if the relevant Instruments include leverage, potential holders of such Instruments should note that these Instruments will involve a higher level of risk. Investors should therefore only invest in leveraged Instruments if they fully understand the effects of leverage.</li> </ul>
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## SECTION E – OFFER

Element	
<b>E.2b</b>	<p><b>Use of proceeds</b></p> <p>The net proceeds of the issue of each tranche of Instruments will be used for the general funding purposes of the Group.</p>
<b>E.3</b>	<p><b>Terms and conditions of the offer:</b></p> <p><b>Denomination:</b> Instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to a minimum denomination of €1,000 (or, if the Instruments are denominated in a currency other than euro, the equivalent in another currency at the date of issue. For each issue of securities a minimum tradeable amount could be set out in the relevant Final Terms.</p> <p><b>Interest:</b> Instruments are interest-bearing. Interest may accrue at a fixed, reset or floating rate or other variable rate and may vary during the lifetime of the relevant Series.</p> <p><b>Issue Price:</b> Instruments may be issued at par or at a discount to par or a premium over par and on a fully paid basis, as specified in the relevant Final Terms. The issue price and the principal amount of the relevant tranche of Instruments will be determined before filing of the relevant Final Terms of each tranche on the basis of then prevailing market conditions.</p> <p><b>Maturity:</b> Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subordinated Instruments qualifying as regulatory capital (<i>recursos propios</i>) in accordance with Bank of Spain requirements will have a maturity of not less than five years.</p> <p>Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the relevant Issuer.</p> <p><b>Redemption:</b> Instruments may be redeemable at the redemption amount specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. Early redemption will be permitted for taxation reasons, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms.</p> <p>Any early redemption of Subordinated Instruments qualifying as regulatory capital (<i>recursos propios</i>) is subject to the prior consent of the Bank of Spain and may not take place within a period of five years from their date of issue or as otherwise permitted by the Bank of Spain and they may not be redeemed at the option of the holder of the relevant Instruments (the "<b>Holder</b>") prior to their stated maturity.</p> <p>Subordinated Instruments may not be redeemed at the option of the Holder prior to their stated maturity.</p> <p><b>Purchase:</b> The Issuers and the Guarantor and any of their respective subsidiaries or any third party designated by any of them, may at any time purchase Instruments in the open market or otherwise and at any price provided that, in the case of Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith.</p> <p>In the case of Subordinated Instruments which qualify as regulatory capital (<i>recursos propios</i>), the purchase of the Instruments by the Issuer or any of its subsidiaries shall take place in accordance with the requirements of Spanish law (including for this purpose Bank of Spain's regulations in so far as the Issuer seeks to maintain eligibility of such instruments as regulatory capital).</p> <p><b>Clearing Systems:</b> Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms.</p> <p><b>Terms and conditions of the offer:</b> If so specified in the relevant Final Terms, the Instruments may be offered to the public in a non-exempt offer in one or more specified Public Offer Jurisdictions.</p> <p>The terms and conditions of each offer of Instruments will be specified in the applicable Final Terms.</p> <p>An Investor intending to acquire or acquiring any Instruments in a non-exempt offer from an authorised offeror will do so, and offers and sales of such Instruments to an Investor by such authorised offeror will be made, in accordance with any terms and other arrangements in place between them.</p>
<b>E.4</b>	<p><b>Description of any interest of natural and legal persons involved in the issue/offer that is material to the issue/offer including conflicting interests</b></p> <p>The relevant Dealers may be paid fees in relation to any issue of Instruments under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.</p>

E.7	<p><b>Expenses charged to the investor by the Issuer or an Offeror</b></p> <p>The expenses and taxes to be charged to the subscriber or purchaser of the Instruments will be specified in the relevant Final Terms.</p>
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## **RISK FACTORS{ TC "RISK FACTORS" \f C \l "1" }**

An investment in the Instruments may involve a high degree of risk. In purchasing Instruments, investors assume the risk that the Issuers and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Instruments. There are a wide range of factors which individually or together could result in the Issuers and the Guarantor becoming unable to make all payments due in respect of the Instruments. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers and 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 and the Guarantor's control. The Issuers and 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 Instruments.

In addition, factors which are material for the purpose of assessing the market risk associated with Instruments issued under the Programme are detailed below. The factors discussed below regarding the risks of acquiring or holding any Instruments are not exhaustive, and additional risks and uncertainties that are not presently known to the Issuers or Guarantor or that the Issuers or Guarantor currently believes to be immaterial could also have a material impact on the Instruments.

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.

### **CONTENTS OF THE RISK FACTORS**

1. **Risks Relating to the Issuers and the Guarantor**
2. **Macro-Economic Risks**
3. **Risks Relating to the Group Business**
4. **Risks in relation to the Instruments**

*Investing in Instruments issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following:*

#### **1. Risks Relating to the Issuers and the Guarantor**

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

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

#### **2. Macro-Economic Risks**

*Because the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom, Latin America and the United States, adverse changes affecting the economies of Continental Europe, the United Kingdom, certain Latin American countries or the United States could adversely affect the Group's financial condition.*

The Group's loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. At December 31, 2014, Continental Europe accounted for 37% of the Group's total loan portfolio (Spain accounted for 22% of the Group's total loan portfolio), the United Kingdom

(where the loan portfolio consists primarily of residential mortgages) accounted for 34%, Latin America accounted for 20% (of which Brazil represents 10% of the Group's total loan portfolio) and the United States accounted for 9%. Accordingly, the recoverability of these loan portfolios in particular, and the Group's ability to increase the amount of loans outstanding and the Group's results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. A return to recessionary conditions in the economies of Continental Europe (in particular, Spain), the United Kingdom, the Latin American countries in which the Group operates or the United States, would likely have a significant adverse impact on the Group's loan portfolio and, as a result, on the Group's financial condition, cash flows and results of operations.

***The Group is vulnerable to disruptions and volatility in the global financial markets.***

In the past seven years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency in interbank lending rates. Global economic conditions deteriorated significantly between 2007 and 2009, and many of the countries in which the Group operates fell into recession. Although some countries have begun to recover, this recovery may not be sustainable. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced, and some continue to experience, significant difficulties. Around the world, there have also been runs on deposits at several financial institutions, numerous institutions have sought additional capital or have been assisted by governments, and many lenders and institutional investors have reduced or ceased providing funding to borrowers (including to other financial institutions).

In particular, the Group faces, among others, the following risks related to the economic downturn:

- Reduced demand for the Group's products and services.
- Increased regulation of the Group's industry. Compliance with such regulation will increase the Group's costs and may affect the pricing for its products and services and limit the Group's ability to pursue business opportunities.
- Inability of the Group's borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of its retail customers and may adversely affect the recoverability of its retail loans, resulting in increased loan losses.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of the Group's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Group's loan loss allowances.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- Any worsening of global economic conditions may delay the recovery of the international financial industry and impact the Group's financial condition and results of operations.

Despite recent improvements in certain segments of the global economy, uncertainty remains concerning the future economic environment. There can be no assurance that economic conditions in these segments will continue to improve or that the global economic condition as a whole will improve significantly. Such economic uncertainty could have a negative impact on the Group's business and results of operations. Investors remain cautious. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on the Group and on others in the financial services industry.

Increased disruption and volatility in the global financial markets could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates paid on deposits to attract more customers and become unable to maintain certain liability

maturities. Any such increase in capital markets funding availability or costs or in deposit rates could have a material adverse effect on the Group's interest margins and liquidity.

If all or some of the foregoing risks were to materialise, this could have a material adverse effect on the Group.

***The Group may suffer adverse effects as a result of economic and sovereign debt tensions in the eurozone.***

The Group's results of operations are materially affected by conditions in the capital markets and the economy generally in the eurozone, which, although improving recently, continue to show signs of fragility and volatility. Interest rate differentials among eurozone countries are affecting government finance and borrowing rates in those economies.

The European Central Bank (the "ECB") and European Council took actions in 2012 and 2013 to aim to reduce the risk of contagion throughout and beyond the eurozone. These included the creation of the Open Market Transaction facility of the ECB and the decision by eurozone governments to create a banking union. A significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations that are under financial pressure. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in the further spread of the ongoing economic crisis.

The high cost of capital for some European governments impacted the wholesale markets and there was a consequent increase in the cost of retail funding, with greater competition in the savings market. In the absence of a permanent resolution of the eurozone crisis, conditions could deteriorate.

The Group has direct and indirect exposure to financial and economic conditions throughout the eurozone economies. While concerns relating to sovereign defaults or a partial or complete break-up of the European Monetary Union, including potential accompanying redenomination risks and uncertainties, seemed to have abated during 2014, such concerns have resurfaced to some extent with the election of a new government in Greece in January 2015. A deterioration of the economic and financial environment could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect the operating results, financial position and prospects of the Group.

***Exposure to sovereign debt could have a material adverse effect on the Group.***

Like many other banks, the Group invests in debt securities of governments in the geographies in which the Group operates, including debt securities of the countries that have been most affected by the deterioration in economic conditions, such as Spain, Portugal, Italy and Ireland. A failure by any such government to make timely payments under the terms of these securities, or a significant decrease in their market value, could have a material adverse effect on the Group.

***The Group's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions.***

The economies of some of the countries where the Group operates, particularly in Latin America, have experienced significant volatility in recent decades, characterised, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate environment, impact the Group's profitability by causing lending margins to decrease and credit quality to decline and leading to decreased demand for higher margin products and services. For instance, Brazil's present high rate of inflation, compounded by high and increasing interest rates, declining consumer spending and increasing unemployment, may have a material adverse impact on the Brazilian economy as a whole as well as on the Group's financial condition and earnings in Brazil, which represented 20% of profit attributable to the Parent bank's total operating areas in 2014 and 10% of its total loans as of December 31, 2014. In addition, the Group's business in Brazil may be adversely affected by evolving issues of corruption and related political instability.

Negative and fluctuating economic conditions in the countries in which the Group operates, such as those that certain Latin American and European countries have experienced recently, could also result in government

defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in these regions or countries.

In addition, the Group's revenues are subject to risk of loss from unfavourable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies.

The growth, asset quality and profitability of the Group may be adversely affected by volatile macroeconomic and political conditions.

### **3. Risks Relating to the Group Business**

#### ***Legal, Regulatory and Compliance Risks***

***The Group is exposed to risk of loss from legal and regulatory proceedings.***

The Group faces risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject the Group to monetary judgments, regulatory enforcement actions, fines and penalties. The current regulatory environment in the jurisdictions in which the Group operates reflects an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, and may lead to material operational and compliance costs.

The Group is from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of its business, including in connection with conflicts of interest, lending activities, relationships with the Group's employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, the Group cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The Group believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings - see note 25 of the Group's consolidated financial statements-. However, the amount of these provisions is substantially less than the total amount of the claims asserted against the Group and in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Group. As a result, the outcome of a particular matter may be material to the Group's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and its level of income for that period.

***The Group is subject to substantial regulation which could adversely affect its business and operations.***

As a financial institution, the Group is subject to extensive regulation, which materially affects its businesses. The statutes, regulations and policies to which the Group is subject may be changed at any time. In addition, the interpretation and the application by regulators of the laws and regulations to which the Group is subject may also change from time to time. Extensive legislation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the United States, the European Union, Latin America and other jurisdictions, and regulations are in the process of being implemented. The manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which the Group operates, the Group may face higher compliance costs. Any legislative or regulatory actions and any required changes to the business operations of the Group resulting from such legislation and regulations could result in significant loss of revenue, limit the ability of the Group to pursue business opportunities in which it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require the Group to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Group or otherwise adversely affect its businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.



The regulations which most significantly affect the Bank, or which could most significantly affect the Bank in the future, relate to capital requirements, liquidity and funding, development of a fiscal and banking union in the European Union and regulatory reforms in the United States, and are discussed in further detail below.

#### *Capital requirements, liquidity, funding and structural reform*

Increasingly onerous capital requirements constitute one of the Bank's main regulatory challenges. Increasing capital requirements may adversely affect the Bank's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels. As a Spanish financial institution, the Bank is subject to Capital Requirements Directive ("**CRD IV**"), through which the European Union began implementing the Basel III capital reforms from January 1, 2014, with certain requirements in the process of being phased in until January 1, 2019. The core regulation in the solvency of credit entities is, therefore, the Capital Requirements Regulation ("**CRR**"), which is complemented by several binding technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures. The implementation of the CRD IV Directive into Spanish law has largely taken place through Royal Decree Law 14/2013 and Law 10/2014, and a new Bank of Spain Circular 2/2014. Notwithstanding this, further regulatory developments in this area remain pending.

The new regulatory regime has, among other things, increased the level of capital required by means of a "combined buffer requirement" that entities must comply with from 2016 onwards. Article 104 of the CRD IV Directive, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No 1024/2013 of October 15, 2013 conferring specific tasks on the European Central Bank (the "**ECB**") concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**"), also contemplate that in addition to the minimum "Pillar 1" capital requirements (including, if applicable, any buffer capital as discussed below), supervisory authorities may impose further "Pillar 2" capital requirements to cover other risks, including those not considered to be fully captured by the minimum "own funds" requirements under CRD IV or to address macro-prudential considerations. This may result in the imposition of additional own funds requirements on the Bank and/or the Group pursuant to this "Pillar 2" framework. Any failure by the Bank and/or the Group to maintain its "Pillar 1" minimum regulatory capital ratios, any "Pillar 2" additional own funds requirements could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Group's results of operations.

The ECB is currently undertaking an assessment of the additional "Pillar 2" capital requirements that may be imposed for each of the European banking institutions now subject to the Single Supervisory Mechanism (the "**SSM**"). The ECB is required to carry out these assessments under CRD IV at least on an annual basis. There can be no assurance that an additional own funds requirement for the Bank and/or the Group may not be required by the ECB either when it provides its final decision in relation to this initial assessment or at any time in the future. Any additional own funds requirement that may be imposed on the Bank and/or the Group by the ECB pursuant to this initial assessment may require the Bank and/or the Group to hold capital levels similar to, or higher than, those required under the full application of CRD IV. There can also be no assurance that the Group will be able to continue to maintain such capital ratios.

In addition to the above, the EBA published on December 19, 2014 its final guidelines for common procedures and methodologies in respect of its supervisory review and evaluation process (SREP). Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional own funds requirements to be implemented by January 1, 2016. Under these guidelines, national supervisors must set a composition requirement for the additional own funds requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above "combined buffer requirement" is in addition to the minimum own funds requirement and to the additional own funds requirement. In this regard, according to Law 10/2014, for those entities not meeting the "combined buffer requirement" or the "Pillar 2" capital requirements described above or where a restriction upon "discretionary payments" has been imposed pursuant to Article 68 of Law 10/2014 distributions relating to CET1 capital, variable remuneration or discretionary pension revenues and distributions relating to additional tier 1 capital may be subject to restrictions until the Maximum Distributable Amount has been calculated and communicated to the Bank of Spain (and thereafter subject to such Maximum Distributable Amount). The

criteria for the calculation of the Maximum Distributable Amount in respect of any such “discretionary payments” are specified in the Royal Decree 84/2015, of February 13, 2015, which develops Law 10/2014.

At its meeting on January 12, 2014, the oversight body of the Basel Committee endorsed the definition of the leverage ratio set forth in CRD IV, to promote consistent disclosure, starting on January 1, 2015. There will be a mandatory minimum capital requirement as of January 1, 2018, with an initial minimum leverage ratio of 3% that can be raised after calibration, if European authorities so decide.

On November 10, 2014 the Financial Stability Board (the “**FSB**”) published a consultative document (the “**Consultative Document**”) containing certain policy proposals to enhance the loss absorbing capacity of global systemically important banks –except for those from emerging countries- (“**G-SIBs**”), such as the Bank. The policy proposals included in the Consultative Document consist of an elaboration of the principles on loss absorbing and recapitalization capacity of G-SIBs in resolution and a term sheet setting out a proposal for the implementation of these proposals in the form of an internationally agreed standard on total loss absorbing capacity (“**TLAC**”) for G-SIBs. The consultation period ended on February 2, 2015.

Once finalised, these proposals will form a new minimum TLAC standard for G-SIBs. If implemented as contemplated, the TLAC requirement may create additional minimum capital requirements for the Bank and could require the Bank to maintain an additional minimum TLAC ratio of (i) the Bank’s regulatory capital plus certain types of debt capital instruments and other eligible liabilities that can be written down or converted into equity during resolution to (ii) the Bank’s risk-weighted assets.

The FSB has proposed that a single specific minimum “Pillar 1” TLAC requirement will be set at the greater of (a) 16% to 20% of risk weighted assets and (b) twice the amount of capital required to meet the relevant Basel III Tier 1 leverage ratio requirement (equivalent to the leverage ratio set forth in CRD IV). However, the final proposed TLAC amount has not been agreed within the FSB and is the subject of a quantitative impact study, expected to be completed in 2015. The final requirements are expected to be announced in 2015, most probably at the FSB’s plenary session in November 2015.

Furthermore, the Bank Recovery and Resolution Directive (“**BRRD**”) requires all banks to maintain a minimum requirement for own funds and eligible liabilities (“**MREL**”). The purpose of MREL, which is calculated as a percentage of the total liabilities and own funds of an institution, is to ensure that institutions maintain enough capital capable of being written down and/or bailed-in, so as to facilitate resolution.

The TLAC requirements may apply both on a common minimum “Pillar 1” basis and with provision for home and host resolution authorities to be able to specify additional “Pillar 2” TLAC requirements on an individual institution basis. TLAC requirements may further be imposed in addition to the minimum “own funds” requirements under CRD IV and the MREL once the BRRD has been implemented in Spain. Any failure by an institution to meet the applicable minimum “Pillar 1” and “Pillar 2” TLAC requirements may be treated in the same manner as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

The conditions required of TLAC eligible instruments (other than own funds) and those required of eligible liabilities for MREL purposes under the BRRD are different and there can be no assurance that it will be possible for the Bank to issue instruments which simultaneously satisfy both requirements. Markets have not yet been established for such instruments (other than own funds instruments) and there can be no assurance that such markets will develop or that, if they do, the Bank will be able to issue sufficient TLAC and MREL eligible liabilities to meet its requirements. That may limit the quantity of the Bank’s CET1 capital which is available to meet its “combined buffer requirement”.

#### *EU fiscal and banking union*

The project of achieving a European banking union was launched in the summer of 2012. Its main goal is to resume progress towards the European single market for financial services by restoring confidence in the European banking sector and ensuring the proper functioning of monetary policy in the eurozone.

The Banking union is expected to be achieved through new harmonised banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two main pillars are the Single Supervisory Mechanism (“SSM”) and the Single Resolution Mechanism (“SRM”).

The SSM is expected to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular direct supervision of the 120 largest European banks (including the Bank), on November 4, 2014. In preparation for this step, between November 2013 and October 2014, the ECB conducted, together with national supervisors, a comprehensive assessment of 130 banks, which together hold more than 80% of eurozone banking assets. The exercise consisted of three elements: (i) a supervisory risk assessment, which assessed the main balance sheet risks including liquidity, funding and leverage; (ii) an asset quality review, which focused on credit and market risks; and (iii) a stress test to examine the need to strengthen capital or take other corrective measures.

The SSM represents a significant change in the approach to bank supervision at a European and global level. The SSM will result in the direct supervision of 120 financial institutions, including the Bank, and indirect supervision of around 3,500 financial institutions. The new supervisor will be one of the largest in the world in terms of assets under supervision. In the coming years, the SSM is expected to work to establish a new supervisory culture importing best practices from the 19 supervisory authorities that will be part of the SSM. Several steps have already been taken in this regard such as the recent publication of the Supervisory Guidelines and the creation of the SSM Framework Regulation. In addition, this new body will represent an extra cost for the financial institutions that will fund it through payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost. Regulation (EU) No. 806/2014 of the European Parliament and the Council of the European Union (the “**SRM Regulation**”), which was passed on July 15, 2014, and takes legal effect from January 1, 2015, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund (“SRF”). Under the intergovernmental agreement (“IGA”) signed by 26 EU member states on May 21, 2014, contributions by banks raised at national level will be transferred to the SRF. The new Single Resolution Board started operating from January 1, 2015 but it will not fully assume its resolution powers until January 1, 2016. From that date onwards the Single Resolution Fund will also be in place, funded by contributions from European banks in accordance with the methodology approved by the Council of the European Union. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8% bail-in of a bank’s liabilities has been applied to cover capital shortfalls (in line with the BRRD).

By allowing for the consistent application of EU banking rules through the SSM, the banking union is expected to help resume momentum towards economic and monetary union. In order to complete such union, a single deposit guarantee scheme is still needed which may require a change to the existing European treaties. This is the subject of continued negotiation by European leaders to ensure further progress is made in European fiscal, economic and political integration.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the Bank’s main supervisory authority may have a material impact on the Bank’s business, financial condition and results of operations. In particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes were published in the Official Journal of the EU on June 12, 2014. The BRRD was required to be implemented on or before January 1, 2015, although the bail-in tool will not apply until January 1, 2016, except where a bail-out is required during 2015. In this case, a minimum 8% bail-in of a bank’s liabilities (including senior debt and uncovered deposits) will be required as a precondition for access to any direct recapitalization by the European Stability Mechanism (ESM), as agreed by the eurozone members in December 2014.

The process for the implementation of the BRRD in Spain started on December 1, 2014, with the publication of the BRRD Draft Implementation Law for public consultation by the Spanish Ministry of Economy and Competitiveness. On February 27, 2015, the Council of Ministers submitted to Parliament the Draft Law on the Recovery and Resolution of Credit Institutions and Investment Service Companies and on June 11, 2015 the

Parliament approved the Law. The Law has not yet been published in the Official Gazette (a requirement for the Law to enter into force) (“*Ley de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*”) (the **BRRD Implementation Law**).

In addition, on January 29, 2014, the European Commission released its proposal on the structural reforms of the European banking sector that will impose new constraints on the structure of European banks. The proposal aims at ensuring the harmonization between the divergent national initiatives in Europe. It includes a prohibition on proprietary trading similar to that contained in Section 619 of the Dodd-Frank Act (also known as the Volcker Rule) and a mechanism to potentially require the separation of trading activities (including market making), such as in the Financial Services (Banking Reform) Act 2013, complex securitizations and risky derivatives.

Moreover, regulations adopted on structural measures to improve the resilience of EU credit institutions may have a material impact on the Bank’s business, financial condition and results of operations. These regulations, if adopted, may also cause the Group to invest significant management attention and resources to make any necessary changes.

#### *United States significant regulation*

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) which was adopted in 2010 will continue to result in significant structural reforms affecting the financial services industry. This legislation provided for, among other things, the establishment of a Consumer Financial Protection Bureau with broad authority to regulate the credit, savings, payment and other consumer financial products and services that the Group offers, the creation of a structure to regulate systemically important financial companies, more comprehensive regulation of the over-the-counter derivatives market, prohibitions on engagement in certain proprietary trading activities and restrictions on ownership or sponsorship of, or entering into certain credit-related transactions with related, covered funds, restrictions on the interchange fees earned through debit card transactions, and a requirement that bank regulators phase out the treatment of trust preferred capital instruments as Tier 1 capital for regulatory capital purposes.

With respect to OTC derivatives, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, exchange trading and transaction reporting of certain OTC derivatives. Entities that are swap dealers, security-based swap dealers, major swap participants or major security-based swap participants are required to register with the CFTC or the SEC, or both, and are or will be subject to new capital, margin, business conduct, recordkeeping, clearing, execution, reporting and other requirements. Banco Santander, S.A. and Abbey National Treasury Services plc became provisionally registered as a swap dealer with the CFTC on July 8, 2013 and November 4, 2013, respectively. In addition, the Group may register one more subsidiary as swap dealer with the CFTC. Although many significant regulations applicable to swap dealers are already in effect, some of the most important rules, such as margin requirements for uncleared swaps and capital rules for swap dealers, have not yet been implemented and the Group continues to assess how compliance with these new rules will affect the its business.

In July 2013, the U.S. bank regulators issued the U.S. Basel III final rules implementing the Basel III capital framework for U.S. banks and bank holding companies. Certain aspects of the U.S. Basel III final rules, such as new minimum capital ratios and a revised methodology for calculating risk-weighted assets, became effective for part of the Bank’s U.S. operations on January 1, 2015. Other aspects of the U.S. Basel III final rules, such as the capital conservation buffer and the new regulatory deductions from and adjustments to capital, will be phased in over several years beginning on January 1, 2015.

In addition, in September 2014 the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”) and other U.S. regulators issued a final rule introducing a quantitative liquidity coverage ratio requirement on certain large banks and bank holding companies. The liquidity coverage ratio is part of the Basel Committee’s international standards on quantitative liquidity metrics, which are in turn part of the international Basel III framework. The U.S. implementation of the liquidity coverage ratio is broadly consistent with the Basel Committee’s liquidity standards, but is more stringent in several important respects. Although this final rule does not apply to foreign banking organizations (“**FBOs**”), the Federal Reserve has stated that it intends, through future rulemakings, to apply the liquidity coverage ratio and another Basel III liquidity metric to the U.S. operations of some or all large FBOs.

On February 19, 2014, the Federal Reserve issued a final rule to enhance its supervision and regulation of certain FBOs. Among other things, this rule requires FBOs with over \$50 billion of U.S. non-branch assets to establish or designate a U.S. intermediate holding company (an “**IHC**”) and to transfer its entire ownership interest in substantially all of its U.S. subsidiaries to such IHC by July 1, 2016. U.S. branches and agencies are not required to be transferred to the IHC. The IHC will be subject to an enhanced supervision framework, including enhanced risk-based and leverage capital requirements, liquidity requirements, risk management and governance requirements, and stress-testing requirements. A phased-in approach is being used for the standards and requirements. Certain enhanced standards are effective in 2015, with other standards and requirements becoming effective between July 1, 2016 and January 1, 2018. Pursuant to the final rule, as an FBO with over \$50 billion of U.S. non-branch assets as of June 30, 2014, the Group submitted an IHC implementation plan to the Federal Reserve by January 1, 2015. As of the date of this Base Prospectus, the Group is awaiting a determination on the adequacy of the plan from the Federal Reserve. Implementation and compliance with this plan may cause the Group to invest significant management attention and resources.

Within the Dodd-Frank Act, the Volcker Rule prohibits “banking entities” from engaging in certain forms of proprietary trading or from sponsoring, investing in, or entering into certain credit-related transactions with related, covered funds, in each case subject to certain exceptions. The term “covered fund” is defined very broadly to include traditional hedge funds, private equity funds, certain securitization vehicles and other entities that rely on Sections 3(c)(1) or 3(c)(7) of the U.S. Investment Company Act of 1940 for an exemption under that Act, as well as certain similar foreign funds. The Volcker Rule became effective on July 21, 2012 and on December 10, 2013, U.S. regulators issued final rules implementing the Volcker Rule. The statute and final rules also contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, trading solely outside the United States, and also permit certain ownership interests in certain types of funds to be retained. On December 10, 2013, the Federal Reserve issued an order extending the period for all banking entities to conform with the Volcker Rule and implement a compliance programme until July 21, 2015. In December 2014, the Federal Reserve issued an order extending the Volcker Rule’s general conformance period until July 21, 2016 for investments in and relationships with covered funds and certain foreign funds that were in place on or prior to December 31, 2013 (“legacy covered funds”), and stated its intention to grant a final one-year extension of the general conformance period, to July 21, 2017, for banking entities to conform ownership interests in and relationships with legacy covered funds. This extension of the conformance period does not apply to the Volcker Rule’s prohibitions on proprietary trading and does not appear to apply to any investments in and relationships with covered funds put in place after December 31, 2013. Banking entities such as the Bank must bring their activities and investments into compliance with the requirements of the Volcker Rule by the end of the conformance period. The Group is assessing how the final rules implementing the Volcker Rule will affect its businesses and are developing and implementing plans to bring affected businesses into compliance.

Furthermore, Title I of the Dodd-Frank Act and the implementing regulations issued by the Federal Reserve and the Federal Deposit Insurance Corporation (“**FDIC**”) require each bank holding company with assets of \$50 billion or more, including the Group, to prepare and submit annually to the Federal Reserve and the FDIC a plan for the orderly resolution of its subsidiaries and operations that are domiciled in the United States in the event of future material financial distress or failure. In addition, each insured depository institution (“**IDI**”) with assets of \$50 billion or more, such as the Bank, must submit a separate IDI resolution plan annually to the FDIC. The Title I and IDI plans each must include information on resolution strategy, major counterparties and interdependencies, among other things, and require substantial effort, time and cost to prepare. The Group submitted its most recent annual U.S. resolution plans in December 2014. The Title I plan resolution plan is subject to review by the Federal Reserve and the FDIC. The IDI plan is subject to review solely by the FDIC.

Each of these aspects of the Dodd-Frank Act, as well as other changes in U.S. banking regulations, may directly and indirectly impact various aspects of the Group’s business. The full spectrum of risks that the Dodd-Frank Act poses to the Group is not yet known; however, such risks could be material and the Group could be materially and adversely affected by them.

#### *United States stress testing, capital planning, and related supervisory actions*

Certain of the U.S. banking subsidiaries of the Group, including Santander Holdings USA, the Group’s U.S. bank holding company subsidiary, are subject to stress testing and capital planning requirements under regulations implementing the Dodd-Frank Act or other banking laws or policies. In March 2014 and 2015, the

Federal Reserve Board, as part of its Comprehensive Capital Analysis and Review (“CCAR”) process, objected on qualitative grounds to the capital plans submitted by Santander Holdings USA. In its 2015 public report on CCAR, the Federal Reserve Board cited widespread and critical deficiencies in Santander Holdings USA’s capital planning processes, including specific deficiencies in governance, internal controls, risk identification and risk management, management information systems, and supporting assumptions and analysis. As a result of the 2014 and 2015 CCAR objections, Santander Holdings USA is not permitted to make any capital distributions without the Federal Reserve Board’s approval, other than the continued payment of dividends on Santander Holdings USA’s outstanding class of preferred stock, until a new capital plan is approved by the Federal Reserve Board. The deadline for Santander Holdings USA’s next capital plan submission is in April 2016, and there is the risk that the Federal Reserve Board will object to Santander Holdings USA’s next capital plan.

In addition, the Group is subject to supervisory actions in the United States related to the CCAR stress testing and capital planning processes. Specifically, on September 15, 2014, Santander Holdings USA and the Federal Reserve Bank of Boston (“**FRB Boston**”) executed a written agreement relating to a subsidiary’s declaration and payment of dividends in the second quarter of 2014 without the Federal Reserve Board’s approval. Under the written agreement, Santander Holdings USA agreed to submit to the FRB Boston written procedures to strengthen board oversight of management regarding planned capital distributions by Santander Holdings USA and its subsidiaries. In addition, Santander Holdings USA agreed to subject future distributions to the prior written approval of Federal Reserve System and to take necessary actions to ensure that no such distributions are made.

*Other supervisory actions and restrictions on U.S. activities*

In addition to the foregoing, U.S. bank regulatory agencies from time to time take supervisory actions under certain circumstances that restrict or limit a financial institution’s activities. In some instances, the Group is subject to significant legal restrictions on its ability to publicly disclose these actions or the full details of these actions. In addition, as part of the regular examination process, the Group’s U.S. banking subsidiaries’ regulators may advise the Group’s U.S. banking subsidiaries to operate under various restrictions as a prudential matter. The U.S. supervisory environment has become significantly more demanding and restrictive since the financial crisis of 2008. Under the U.S. Bank Holding Company Act, the Federal Reserve has the authority to disallow the Group and its U.S. banking subsidiaries from engaging in certain categories of new activities in the United States or acquiring shares or control of other companies in the United States. Such actions and restrictions currently applicable to the Group or its U.S. banking subsidiaries could adversely affect the Group’s costs and revenues. Moreover, efforts to comply with non-public supervisory actions or restrictions could require material investments in additional resources and systems, as well as a significant commitment of managerial time and attention. As a result, such supervisory actions or restrictions could have a material adverse effect on the Group’s business and results of operations; and the Group may be subject to significant legal restrictions on its ability to publicly disclose these matters or the full details of these actions. In addition to such confidential actions and restrictions, the Group’s U.S. subsidiaries could become subject to public orders limiting their activities or requiring material investments.

As noted above, the Group’s business and operations are subject to increasingly stringent regulatory oversight and scrutiny, which may lead to regulatory investigations or enforcement actions. A single event may give rise to numerous and overlapping investigations and regulatory proceedings, by various agencies, regulators and other governmental officials in any of the jurisdictions in which the Group operates, which in turn could harm the Group’s reputation or lead to higher operational costs, thereby reducing the Group’s profitability.

***The Group is subject to review by taxing authorities, and an incorrect interpretation by the Group of tax laws and regulations may have a material adverse effect on the Group.***

The preparation of the Group’s tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities. The Group is subject to the income tax laws of Spain and certain foreign countries. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, the Group must make judgments and interpretations about the application of these inherently complex tax laws.

If the judgment, estimates and assumptions the Group uses in preparing its tax returns are subsequently found to be incorrect, there could be a material adverse effect on the Group's results of operations.

***The Group may not be able to detect or prevent money laundering and other financial crime activities fully or on a timely basis, which could expose the Group to additional liability and could have a material adverse effect on it.***

The Group is required to comply with applicable anti-money laundering (“AML”), anti-terrorism, sanctions and other laws and regulations in the jurisdictions in which the Group operates. These laws and regulations require the Group, among other things, to conduct full customer due diligence regarding sanctions and politically-exposed person screening, keep customer, account and transaction information up to date and have implemented effective financial crime policies and procedures detailing what is required from those responsible. The Group's requirements also include AML training for its employees, reporting suspicious transactions and activity to appropriate law enforcement following full investigation by its local AML team.

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML sanctions, laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel.

The Group has developed policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and other financial crime related activities. These require implementation and embedding within the Group's business effective controls and monitoring, which in turn require on-going changes to systems and operational activities. Financial crime is continually evolving and subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptable responses from the Group so that it is able to effectively deter threats and criminality. Even known threats can never be fully eliminated, and there will be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Group relies heavily on its employees to assist it by spotting such activities and reporting them, and the Group's employees have varying degrees of experience in recognizing criminal tactics and understanding the level of sophistication of criminal organizations. Where the Group outsources any of its customer due diligence, customer screening or anti financial crime operations, the Group remains responsible and accountable for full compliance and any breaches. If the Group is unable to apply the necessary scrutiny and oversight, there remains a risk of regulatory breach.

If the group is unable to fully comply with applicable laws, regulations and expectations, its regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties on the Group, including requiring a complete review of its business systems, day-to-day supervision by external consultants and ultimately the revocation of its banking license.

The reputational damage to the Group's business and global brand would be severe if it were found to have breached AML or sanctions requirements. The reputation of the Group could also suffer if it is unable to protect its customers or its business from being used by criminals for illegal or improper purposes.

In addition, while the Group reviews its relevant counterparties' internal policies and procedures with respect to such matters, the Group, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group's (and its relevant counterparties') services as a conduit for money laundering (including illegal cash operations) without the Group (and its relevant counterparties') knowledge. If the Group is associated with, or even accused of being associated with, or become a party to, money laundering, then its reputation could suffer and/or the Group could become subject to fines, sanctions and/or legal enforcement (including being added to any “black lists” that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on the operating results, financial condition and prospects of the Group.

Any such risks could have a material adverse effect on the operating results, financial condition and prospects of the Group.

***Changes in taxes and other assessments may adversely affect the Group.***

The legislatures and tax authorities in the tax jurisdictions in which the Group operates regularly enact reforms to the tax and other assessment regimes to which the Group and its customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon the business of the Group.

***Financial Reporting and Control Risks.***

***Changes in accounting standards could impact reported earnings.***

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Group's consolidated financial statements. These changes can materially impact how the Group records and reports its financial condition and results of operations. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

***The Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of the Group's operations and financial position.***

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial position, based upon materiality and significant judgments and estimates, include impairment of loans and advances, goodwill impairment, valuation of financial instruments, impairment of available-for-sale financial assets, deferred tax assets provision and pension obligation for liabilities.

If the judgment, estimates and assumptions the Group uses in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a material effect on its results of operations and a corresponding effect on its funding requirements and capital ratios.

***Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud.***

Disclosure controls and procedures over financial reporting are designed to reasonably assure that information required to be disclosed by the company in reports filed or submitted under the Securities Exchange Act is accumulated and communicated to management, and recorded, processed, summarised and reported within the time periods specified in the SEC's rules and forms.

These disclosure controls and procedures have inherent limitations which include the possibility that judgments in decision-making can be faulty and that breakdowns occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by any unauthorised override of the controls. Consequently, the Group's businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions the Group takes to prevent and detect this activity may not always be effective. Accordingly, because of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.



## ***Liquidity and Financing Risks***

***Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group.***

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Group implements liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding the Group's business, and extreme liquidity constraints may affect the Group's current operations as well as limit growth possibilities.

Disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to the Group.

The Group's cost of obtaining funding is directly related to prevailing market interest rates and to the Group's credit spreads. Increases in interest rates and the Group's credit spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads are market-driven, and may be influenced by market perceptions of the Group's creditworthiness. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile.

If wholesale markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits, with a view to attracting more customers, and/or to sell assets, potentially at depressed prices. The persistence or worsening of these adverse market conditions or an increase in base interest rates could have a material adverse effect on its ability to access liquidity and cost of funding.

The Group relies, and will continue to rely, primarily on commercial deposits to fund lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors outside the control of the Group, such as general economic conditions and the confidence of commercial depositors in the economy, in general, and the financial services industry in particular, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. Any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing the Group's ability to access commercial deposit funding on appropriate terms, or at all, in the future. If these circumstances were to arise, this could have a material adverse effect on the Group's operating results, financial condition and prospects.

The Group anticipates that its customers will continue, in the near future, to make short-term deposits (particularly demand deposits and short-term time deposits), and the Group intends to maintain its emphasis on the use of banking deposits as a source of funds. The short-term nature of this funding source could cause liquidity problems for the Group in the future if deposits are not made in the volumes the Group expects or are not renewed. If a substantial number of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Group may be materially and adversely affected.

The Group cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, the Group will be able to maintain levels of funding without incurring high funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, the Group could be materially adversely affected.

***Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and its cost of funds. Any downgrading in the Group's credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of the Group's derivative contracts and adversely affect its interest margins and results of operations.***

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group, and their ratings of its debt are based on a number of factors, including the Group's financial strength and conditions affecting the financial services industry generally. In addition, due to

the methodology of the main rating agencies, the Group's credit rating is affected by the rating of Spanish sovereign debt. If Spain's sovereign debt is downgraded, the Group's credit rating would also likely be downgraded by an equivalent amount.

Any downgrade in the Group's debt credit ratings would likely increase its borrowing costs and require the Group to post additional collateral or take other actions under some of the Group's derivative contracts, and could limit its access to capital markets and adversely affect its commercial business. For example, a ratings downgrade could adversely affect the Group's ability to sell or market certain of its products, engage in certain longer-term and derivatives transactions and retain its customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of its derivative contracts, the Group may be required to maintain a minimum credit rating or terminate such contracts. Any of these results of a ratings downgrade, in turn, could reduce the Group's liquidity and have an adverse effect on the Group, including its operating results and financial condition.

Banco Santander, S.A.'s long-term debt is currently rated investment grade by the major rating agencies—Baa1 outlook under review for upgrade by Moody's Investors Service España, S.A., BBB+ stable outlook by Standard & Poor's Ratings Services and A- stable outlook by Fitch Ratings Ltd. During 2012, following downgrades of Spanish sovereign debt, all three agencies downgraded Banco Santander, S.A.'s rating together with that of the other main Spanish banks, due to the weaker-than-previously-anticipated macroeconomic and financial environment in Spain with dimming growth prospects in the near term, depressed real estate market activity and heightened turbulence in the capital markets. In the fourth quarter of 2013 and first quarter of 2014 the three agencies revised the Group's outlook from negative to stable reflecting the gradual improvement of the Spanish economy and the view that any further weakening of the Group's credit profile was unlikely to be significant. During the first half of 2014, all three agencies upgraded the Group's rating following the upgrade revision of Spain's sovereign debt (Moody's Investors Service from Baa2 to Baa1, Standard & Poor's from BBB to BBB+ and Fitch from BBB+ to A-).

Santander UK's long-term debt is currently rated investment grade by the major rating agencies: A2 with outlook under review for upgrade by Moody's Investors Service, A with negative outlook by Standard & Poor's Ratings Services and A with stable outlook by Fitch Ratings. All three agencies revised Santander UK's ratings during 2012 following the downgrades of the Spanish sovereign debt and remained unchanged in 2013. Negative outlook by Standard & Poor's reflects the negative trend that they see for the U.K. banking industry.

The Group conducts substantially all of its material derivative activities through Banco Santander, S.A. and Santander UK. If all the rating agencies were to downgrade Banco Santander, S.A.'s long-term senior debt ratings by one or two notches, the Group will not be required to post additional collateral pursuant to derivative and other financial contracts. However, the Group may be required to post additional collateral in the event of a downgrade by more than two notches. The Group estimates that as of December 31, 2014, if all the rating agencies were to downgrade Santander UK's long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in contractual outflows from Santander UK's total liquid assets of £5.9 billion of cash and additional collateral that Santander UK would be required to post under the terms of secured funding and derivatives contracts. A hypothetical two notch downgrade would result in an additional contractual outflow of £1.2 billion of cash and collateral under secured funding and derivatives contracts.

While certain potential impacts of these downgrades are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviors of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including which credit rating agency downgrades the Group's credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from money market funds) or loss of secured funding capacity. Although, unsecured and secured funding stresses are included in the Group's stress testing scenarios and a portion of its total liquid assets is held against these risks, it is still the case that a credit rating downgrade could have a material adverse effect on Banco Santander, S.A., and/or its subsidiaries.

In addition, if the Group was required to cancel its derivatives contracts with certain counterparties and were unable to replace such contracts, the Group's market risk profile could be altered.

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain the current ratings or outlooks. Failure to maintain favourable ratings and outlooks could increase the Group's cost of funding and adversely affect interest margins, which could have a material adverse effect on the Group.

### ***Risk Management***

***Failure to successfully implement and continue to improve the Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the Group, and the Group may be exposed to unidentified or unanticipated risks.***

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate.

Some of the Group's qualitative tools and metrics for managing risk are based upon its use of observed historical market behavior. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The losses of the Group thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modeling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing the Group to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could have a material adverse effect on the operating results, financial condition and prospects of the Group.

As a commercial bank, one of the main types of risks inherent in the Group's business is credit risk. For example, an important feature of the Group's credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer. As this process involves detailed analyses of the customer, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, the Group's employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in its exposure to higher credit risks than indicated by the Group's risk rating system.

In addition, the Group has refined its credit policies and guidelines to address potential risks associated with particular industries or types of customers. However, the Group may not be able to timely detect these risks before they occur, or due to limited tools available to the Group, its employees may not be able to effectively implement them, which may increase the Group's credit risk. Failure to effectively implement, consistently follow or continuously refine the Group's credit risk management system may result in an increase in the level of non-performing loans and a higher risk exposure for the Group, which could have a material adverse effect on the Group.

### ***Credit Risks***

***If the Group is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if the Group's loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on the Group.***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Non-performing or low credit quality loans have in the past and can continue to negatively impact the Group's results of operations. The Group cannot assure you that it will be able to effectively control the level of the non-performing loans in the Group's total loan portfolio. In

particular, the amount of the Group's reported non-performing loans may increase in the future as a result of growth in the Group's total loan portfolio, including as a result of loan portfolios that the Group may acquire in the future, or factors beyond the Group's control, such as adverse changes in the credit quality of its borrowers and counterparties or a general deterioration in economic conditions in Continental Europe, the United Kingdom, Latin America, particularly Brazil, the United States or global economic conditions, impact of political events, events affecting certain industries or events affecting financial markets and global economies.

The current loan loss reserves of the Group may not be adequate to cover any increase in the amount of non-performing loans or any future deterioration in the overall credit quality of its total loan portfolio. The loan loss reserves of the Group are based on its current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among other things, the Group's borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis demonstrated, many of these factors are beyond the Group's control. As a result, there is no precise method for predicting loan and credit losses, and the Group cannot assure you that its loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of its total loan portfolio deteriorates, for any reason, including the increase in lending to individuals and small and medium enterprises, the volume increase in the credit card portfolio and the introduction of new products, or if the future actual losses exceed the Group's estimates of incurred losses, the Group may be required to increase its loan loss reserves, which may adversely affect it. If the Group were unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on it.

Mortgage loans are one of the Group's principal assets, comprising 50% of its loan portfolio as of December 31, 2014. The Group is exposed to developments in housing markets, especially in Spain and the United Kingdom, and to a number of large real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a vacation destination and historically low interest rates in the eurozone. The United Kingdom also experienced an increase in housing and mortgage demand driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial center. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. Since 2008, as economic growth stalled in Spain and the United Kingdom, persistent housing oversupply, decreased housing demand, rising unemployment, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance and the continued effect of global market volatility have caused home prices to decline, while mortgage delinquencies and forbearances have increased.

As a result of these and other factors, the Group's NPL ratio increased from 0.94% at December 31, 2007, to 2.02% at December 31, 2008, to 3.24% at December 31, 2009, to 3.54% at December 31, 2010, to 3.90% at December 31, 2011, to 4.54% at December 31, 2012 and to 5.64% at December 31, 2013. At December 31, 2014, the Group's NPL ratio was 5.19%. High unemployment rates coupled with declining real estate prices, could have a material adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect on its business, financial condition and results of operations.

***The Group's loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on the Group.***

The Group's fixed rate loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of the Group's earning assets and could have a material adverse effect on the Group. The Group would also be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and collateralised mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in the Group's funding obligations and reinvestment at lower yields. Prepayment risk is inherent to the Group's commercial activity and an increase in prepayments could have a material adverse effect on the Group.

***The value of the collateral securing the Group's loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing its loan portfolio.***

The value of the collateral securing the Group's loan portfolio may fluctuate or decline due to factors beyond the Group's control, including macroeconomic factors affecting Europe, the United States and Latin American countries. The value of the collateral securing the Group's loan portfolio may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of the Group's loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of the Group's loan portfolio and could have an adverse impact on the economy of the affected region. The Group may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of its loans secured by such collateral. If any of the above were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which may materially and adversely affect the Group's results of operations and financial condition.

***The Group is subject to counterparty risk in its banking business.***

The Group is exposed to counterparty risk in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Group or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, clearing houses or other financial intermediaries.

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. Many of the routine transactions the Group enters into expose it to significant credit risk in the event of default by one of its significant counterparties.

### ***Market Risks***

***The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect it.***

Market risk refers to the probability of variations in the Group's net interest income or in the market value of the Group's assets and liabilities due to volatility of interest rate, inflation, exchange rate or equity price. Changes in interest rates affect the following areas, among others, of the Group's business:

- net interest income;
- the volume of loans originated;
- the market value of the Group's securities holdings;
- gains from sales of loans and securities; and
- gains and losses from derivatives.

Variations in short-term interest rates could affect the Group's net interest income, which comprises the majority of the Group's revenue, reducing its growth rate and potentially resulting in losses. When interest rates rise, the Group may be required to pay higher interest on its floating-rate borrowings while interest earned on its fixed-rate assets does not rise as quickly, which could cause profits to grow at a reduced rate or decline in some parts of the Group's portfolio. Interest rates are highly sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

Increases in interest rates may reduce the volume of loans the Group originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of the Group's customers to prepay or refinance fixed-rate loans. Increases in interest rates may reduce the value of the Group's financial assets and may reduce gains or require the Group to record losses on sales of the Group's loans or securities.

If interest rates decrease, although this is likely to reduce the Group's funding costs, it is likely to compress the Group's net interest margins, as well as adversely impact its income from investments in securities and loans with similar maturities, which could have a negative effect on the Group. In addition, the Group may also experience increased delinquencies in a low interest rate environment when such an environment is accompanied by high unemployment and recessionary conditions.

The market value of a security with a fixed interest rate generally decreases when prevailing interest rates rise, which may have an adverse effect on the Group's earnings and financial condition. In addition, the Group may incur costs (which, in turn, will impact its results) as it implements strategies to reduce future interest rate exposure. The market value of an obligation with a floating interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms or an inability to refinance at lower rates.

The Group is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect the Group's earnings and value of its assets and securities. The recent depreciation of the Latin American currencies against the U.S. dollar could make the Group's Latin American subsidiaries' foreign currency-linked obligations and funding more expensive and have similar consequences for the Group's borrowers in Latin America.

The Group is also exposed to equity price risk in connection with its trading investments in equity securities. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of the Group's investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against the Group's results. To the extent any of these risks materialise, the Group's net interest income or the market value of its assets and liabilities could be materially adversely affected.

***Market conditions have resulted and could result in material changes to the estimated fair values of the Group's financial assets. Negative fair value adjustments could have a material adverse effect on the Group's operating results, financial condition and prospects.***

In the past seven years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. The Group has material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then-prevailing market conditions, may result in negative changes in the fair values of the Group's financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by the Group on disposal may be lower than the current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on the Group's operating results, financial condition or prospects.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, the Group's valuation methodologies require it to make assumptions, judgments and estimates in order to establish fair value, and reliable assumptions are difficult to make and are inherently uncertain and valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the operating results, financial condition and prospects of the Group.

***The Group is subject to market, operational and other related risks associated with its derivative transactions that could have a material adverse effect on it.***

The Group enters into derivative transactions for trading purposes as well as for hedging purposes. The Group is subject to market, credit and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

Market practices and documentation for derivative transactions in the countries where the Group operates differ from each other. In addition, the execution and performance of these transactions depends on the Group's ability to maintain adequate control and administration systems and to hire and retain qualified personnel. Moreover, the Group's ability to adequately monitor, analyze and report derivative transactions continues to depend, to a great extent, on its information technology systems. This factor further increases the risks associated with these transactions and could have a material adverse effect on the Group.

#### ***General Business and Industry Risks***

***The financial problems faced by the Group's customers could adversely affect on the Group.***

Market turmoil and economic recession could materially and adversely affect the liquidity, credit ratings, businesses and/or financial conditions of the Group's borrowers, which could in turn increase the Group's non-performing loan ratios, impair its loan and other financial assets and result in decreased demand for borrowings in general. In addition, the Group's customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Group's fee and commission income. The Group may also be adversely affected by the negative effects of the heightened regulatory environment on its customers due to the high costs associated with regulatory compliance and proceedings. Any of the conditions described above could have a material adverse effect on the business, financial condition and results of operations of the Group.

***Changes in the Group's pension liabilities and obligations could have a material adverse effect on the Group.***

The Group provides retirement benefits for many of its former and current employees through a number of defined benefit pension plans. The Group calculates the amount of its defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets, or others. The accounting and disclosures are based on International Financial Reporting Standards (IFRS) and on those other requirements defined by the local supervisors. Given the nature of these obligations, changes in the assumptions that support valuations, including market conditions, can result in actuarial losses which would in turn impact the financial condition of the Group's pension funds. Because pension obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of the Group's defined benefit obligations and therefore on the amount of pension expense that it accrues.

Any increase in the current size of the deficit in the Group's defined benefit pension plans, due to reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce its capital resources. While the Group can control a number of the above factors, there are some over which it has no or limited control. Increases in the Group's pension liabilities and obligations could have a material adverse effect on the business, financial condition and results of operations of the Group.

***The Group depends in part upon dividends and other funds from subsidiaries.***

Some of the Group's operations are conducted through its financial services subsidiaries. As a result, the Group's ability to pay dividends, to the extent it decides to do so, depends in part on the ability of the Group's subsidiaries to generate earnings and to pay dividends to the Group. Payment of dividends, distributions and

advances by the Group's subsidiaries will be contingent upon the Group's subsidiaries' earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. Additionally, the Group's right to receive any assets of any of its subsidiaries as an equity holder of such subsidiaries, upon their liquidation or reorganization, will be effectively subordinated to the claims of the Group's subsidiaries' creditors, including trade creditors.

***Increased competition and industry consolidation may adversely affect the Group's results of operations.***

The Group faces substantial competition in all parts of its business, including in originating loans and in attracting deposits. The competition in originating loans comes principally from other domestic and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other lenders and purchasers of loans.

In addition, there has been a trend towards consolidation in the banking industry, which has created larger and stronger banks with which the Group must now compete. There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore its operations. The Group also faces competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

Non-traditional providers of banking services, such as Internet based e-commerce providers, mobile telephone companies and internet search engines may offer and/or increase their offerings of financial products and services directly to customers. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If the Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, the Group's business may be adversely affected. In addition, the Group's failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent the Group's access to new digital-based markets which would in turn have an adverse effect on its competitive position and business.

Increasing competition could also require that the Group increases its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the Group, including its profitability. It may also negatively affect the Group's business results and prospects by, among other things, limiting the Group's ability to increase its customer base and expand its operations and increasing competition for investment opportunities.

If the Group's customer service levels were perceived by the market to be materially below those of its competitor financial institutions, the Group could lose existing and potential business. If the Group is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of its activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on the operating results, financial condition and prospects of the Group.

***The Group's ability to maintain its competitive position depends, in part, on the success of new products and services the Group offer its clients and the Group's ability to continue offering products and services from third parties, and the Group may not be able to manage various risks it faces as it expands its range of products and services that could have a material adverse effect on the Group.***

The success of the Group's operations and its profitability depends, in part, on the success of new products and services the Group offer its clients and the Group's ability to continue offering products and services from third parties. However, the Group cannot guarantee that its new products and services will be responsive to client demands or successful once they are offered to its clients, or that they will be successful in the future. In addition, the needs or desires of the Group's clients may change over time, and such changes may render its products and services obsolete, outdated or unattractive and the Group may not be able to develop new products that meet the changing needs of its clients. The Group's success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking



industry. Technological changes may further intensify and complicate the competitive landscape and influence client behavior. If the Group's products and services employ technology that is not as attractive to its clients as that employed by its competitors, if the Group fails to employ technologies desired by its clients before its competitors do so, or if the Group fails to execute effectively on targeted strategic technology initiatives, its business and results could be adversely affected. In addition, the Group cannot respond in a timely fashion to the changing needs of its clients, the Group may lose clients, which could in turn materially and adversely affect it.

As the Group expands the range of its products and services, some of which may be at an early stage of development in the markets of certain regions where the Group operates, the Group will be exposed to new and potentially increasingly complex risks and development expenses. The Group's employees and risk management systems, as well as its experience and that of its partners may not be sufficient or adequate to enable the Group to properly handle or manage such risks. In addition, the cost of developing products that are not launched is likely to affect the Group's results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on the Group.

Further, the Group's customers may issue complaints and seek redress if they consider that they have suffered loss from the Group's products and services, for example, as a result of any alleged mis-selling or incorrect application of the terms and conditions of a particular product. This could in turn subject the Group to risks of potential legal action by the Group's customers and intervention by its regulators. The Group has in the past experienced losses due to claims of mis-selling in the U.K., Spain and other jurisdictions and may do so again in the future. For further detail on the Group's legal and regulatory risk exposures, please see the risk factor entitled "The Group is exposed to risk of loss from legal and regulatory proceedings."

***If the Group is unable to manage the growth of its operations this could have an adverse impact on its profitability.***

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses. From time to time, the Group evaluates acquisition and partnership opportunities that it believes offer additional value to its shareholders and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and its ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Any such integration entails significant risks such as unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims. The Group can give no assurances that its expectations with regards to integration and synergies will materialise. The Group also cannot provide assurance that it will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives. Challenges that may result from the Group's strategic growth decisions include its ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow the Group's existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates;
- finance strategic investments or acquisitions;
- fully integrate strategic investments, or newly-established entities or acquisitions in line with its strategy;
- align the Group's current information technology systems adequately with those of an enlarged group;
- apply the Group's risk management policy effectively to an enlarged group; and
- manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage growth effectively, including relating to any or all of the above challenges associated with the Group's growth plans, could have a material adverse effect on the operating results, financial condition and prospects of the Group.

***Goodwill impairments may be required in relation to acquired businesses.***

The Group has made business acquisitions in recent years and may make further acquisitions in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written-down if the Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect of goodwill is performed annually, more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not, however, affect the Group's regulatory capital. While no material impairment of goodwill was recognised in 2013 or 2014, there can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect its results and net assets.

***The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel.***

The Group's continued success depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the Group's strategy. The successful implementation of the Group's growth strategy depends on the availability of skilled management, both at the Group's head office and at each of its business units. If the Group or one of its business units or other functions fails to staff its operations appropriately or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, the Group's business, financial condition and results of operations, including control and operational risks, may be adversely affected.

In addition, the financial industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on the Group's ability to hire or retain the most qualified employees. If the Group fails or is unable to attract and appropriately train, motivate and retain qualified professionals, the Group's business may also be adversely affected.

***The Group relies on third parties for important products and services.***

Third party vendors provide key components of the Group's business infrastructure such as loan and deposit servicing systems, internet connections and network access. Third parties can be sources of operational risk to the Group, including with respect to security breaches affecting such parties. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs and potentially decreasing customer satisfaction. In addition, any problems caused by these third parties, including as a result of their not providing the Group their services for any reason, their performing their services poorly, or employee misconduct, could adversely affect the Group's ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

***Damage to the Group's reputation could cause harm to its business prospects.***

Maintaining a positive reputation is critical to the Group's attracting and maintaining customers, investors and employees. Damage to the Group's reputation can therefore cause significant harm to its business and prospects. Harm to the Group's reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory outcomes, failure to deliver minimum standards of service and quality, compliance failures, unethical behavior, and the activities of customers and counterparties. Further, negative publicity regarding the Group, whether or not true, may result in harm to the Group's prospects.

Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect the Group's reputation. For example, the role played by financial services firms in the financial crisis and the seeming shift toward increasing regulatory supervision and enforcement has caused public perception of the Group and others in the financial services industry to decline.

The Group could suffer significant reputational harm if it fails to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as the Group expands its business activities through more numerous transactions, obligations and interests with and

among its clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with the Group, or give rise to litigation or enforcement actions against the Group. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group.

***The Group engages in transactions with its subsidiaries or affiliates that others may not consider to be on an arm's-length basis.***

The Group and its affiliates have entered into a number of services agreements pursuant to which the Group renders services, such as administrative, accounting, finance, treasury, legal services and others.

Spanish law provides for several procedures designed to ensure that the transactions entered into with or among the Group's financial subsidiaries and/or affiliates do not deviate from prevailing market conditions for those types of transactions.

The Group is likely to continue to engage in transactions with its affiliates. Future conflicts of interests between the Group and any of its affiliates, or among the Group's affiliates, may arise, which conflicts are not required to be and may not be resolved in the Group's favour.

### ***Technology Risks***

***Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.***

The Group's ability to remain competitive depends in part on its ability to upgrade its information technology on a timely and cost-effective basis. The Group must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive. The Group cannot assure you that in the future it will be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.

***Risks relating to data collection, processing and storage systems are inherent in the Group's business.***

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on its ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in the Group's computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Group's businesses and to its ability to compete effectively. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. Although the Group works with its clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against cyber-attacks, the Group routinely exchanges personal, confidential and proprietary information by electronic means, and it may be the target of attempted cyber-attacks. If the Group cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

The Group takes protective measures and continuously monitors and develops its systems to protect its technology infrastructure and data from misappropriation or corruption, but the Group's systems, software and networks nevertheless may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. There can be no assurance that the Group will not suffer material losses from operational risk in the future, including those relating to cyber-attacks or other such security breaches. Further, as cyber-attacks continue to evolve, the Group may incur significant costs in its attempt to modify or enhance its protective measures or investigate or remediate any vulnerabilities. Any material disruption or slowdown of the Group's systems could cause information, including data related to customer requests, to be lost or to be delivered to its clients with delays or errors, which could

reduce demand for the Group's services and products and could materially and adversely affect the Group. For further information see Item 11. Quantitative and Qualitative Disclosures about Market Risk—Part 7. Operational risk—7.3 Mitigation measures—Anti-cyber-risk measures.

***Failure to protect personal information could adversely affect the Group.***

The Group manages and holds confidential personal information of customers in the conduct of its banking operations. Although the Group has procedures and controls to safeguard personal information in its possession, unauthorised disclosures could subject the Group to legal actions and administrative sanctions as well as damages that could materially and adversely affect its operating results, financial condition and prospects. In addition, the Group may be required to report events related to information security issues (including any cybersecurity issues), events where customer information may be compromised, unauthorised access and other security breaches, to the relevant regulatory authorities.

**4. Risks in relation to the Instruments**

***Taxation in Spain.***

Article 44 of Royal Decree 1065/2007, as amended (“**Royal Decree 1065/2007**”) sets out the reporting obligations applicable to preferred securities and debt instruments issued under Law 10/2014. The procedures apply to income deriving from preferred shares and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the literal wording of Article 44.5 of Royal Decree 1065/2007, income derived from preferred shares or debt instruments to which Law 10/2014 applies originally registered with the entities that manage clearing systems located outside Spain, and are recognised by Spanish law or by the law of another OECD country (such as the Depository Trust Company, Euroclear or Clearstream, Luxembourg), will be paid free of Spanish withholding tax provided that the Paying Agent appointed by the Bank submits, in a timely manner, a statement to the Bank, the form of which is attached as Exhibit I, with the following information:

- (i) identification of the securities;
- (ii) income payment date (or refund if the securities are issued at discount or are segregated);
- (iii) total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated); and
- (iv) total amount of the income corresponding to each clearing system located outside Spain.

These obligations refer to the total amount paid to investors through each foreign clearing house. For these purposes, “income” means interest and the difference, if any, between the aggregate amount payable on the redemption of the Instruments and the issue price of the Instruments.

In accordance with Article 44 of Royal Decree 1065/2007, the relevant Issuer and Paying Agent should provide the Bank with the statement reflecting the relevant position at the close of business on the business day immediately prior to each interest payment date. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Bank or the Paying Agent on its behalf will make a withholding at the general rate of 19 per cent. (exceptionally, during the tax period 2015 the withholding tax rate applicable is 20 per cent.) on the total amount of the return on the relevant Preferred Securities otherwise payable to such entity.

Notwithstanding the foregoing, the Bank has agreed that in the event that withholding tax were required by law due to the failure of the relevant Paying Agent to submit in a timely manner a duly executed and completed certificate pursuant to Law 10/2014 and Royal Decree 1065/2007 and any implementing legislation or regulation, the Bank will not pay any additional amounts with respect to any such withholding, as provided in Condition 7.

In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Bank will notify the Holders of such information procedures and their implications, as the Bank may be required to apply

withholding tax on Distributions in respect of the Instruments if the Holders do not comply with such information procedures.

#### ***Hiring Incentives to Restore Employment Act withholding may affect payments on the Instruments***

The U.S. Hiring Incentives to Restore Employment Act (the "**HIRE Act**") imposes a 30% withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met. While significant aspects of the application of the relevant provisions of the HIRE Act to the Instruments are uncertain, if the Issuers or any withholding agent determines that withholding is required, neither the Issuers nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation and Information About the Instruments in Connection with Payments – Hiring Incentives to Restore Employment Act.*"

#### ***U.S. Foreign Account Tax Compliance Act Withholding***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a 30% withholding tax with respect to "foreign passthru payments" made by non-U.S. financial institutions (such as the Issuers) to investors that do not provide sufficient identification information and to non-U.S. financial institutions that do not comply with the FATCA regime. Whilst the Instruments are in global form and held within the clearing systems, in all but the most remote circumstances it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or any ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuers' obligations under the Instruments is discharged once they have paid the clearing systems, and the Issuers have no responsibility for any amount thereafter transmitted to participants in the clearing systems and other subsequent custodians or intermediaries. Furthermore, if an amount in respect of U.S. withholding tax were to be deducted or withheld from any payment on the Instruments to participants in the clearing systems or any other subsequent custodians or intermediaries, the Issuers and the Guarantor would not, pursuant to the conditions of the Instruments, be required to pay additional amounts as a result of the deduction or withholding of such tax. Prospective investors should refer to the section "*Taxation and Information About the Instruments in Connection with Payments - Foreign Account Tax Compliance Act.*"

#### ***Withholding under the EU Savings Directive***

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

The Council Directive 2003/48/EC has been amended by the Council Directive 2014/48/EU which was adopted on 24 March 2014 and published on 15 April 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2016. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also apply a "look through approach" to certain payments where an individual resident in a Member State is regarded as the beneficial owner of that payment for the purposes of the Directive. This approach will apply to payments made to or by, or secured for or by, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments deducting tax at a rate of 35 per cent. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

***Loss absorption within the framework of restructuring and resolution processes under Law 9/2012 and BRRD Implementation Law***

Chapter VII of Law 9/2012 regulates a set of measures targeted at ensuring that shareholders and subordinated creditors (as holders of preferred securities) bear losses through a burden sharing mechanism within the framework of restructuring and resolution processes. These measures could include the discharge of any indebtedness and a stay of payment in respect of any indebtedness taken voluntarily – by the institution – or imposed by the FROB, even against the will or without the consent of those holding the relevant securities. Measures include redemption in part or in whole of the securities or liabilities involved, write-downs of their nominal value or their exchange for other securities. Potential investors in Subordinated Instruments should consider the risk that a holder may lose all or part of its investment if Santander Issuances, S.A.U. became the subject of a restructuring or a resolution process and a loss absorption measure was taken with respect to the Subordinated Instruments in accordance with Chapter VII of Law 9/2012. Law 9/2012 will be partially repealed upon the implementation in Spain of the BRRD (referred to below). The implementation law was approved by Parliament on June 11, 2015 but has not yet been published in the Official Gazette (a requirement for the Law to enter into force) (*Ley de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*) (the **BRRD Implementation Law**).

***The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Instruments.***

On 6 May 2014, the Council of the European Union adopted a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive** or **BRRD**). The BRRD has been published in the official Journal of the EU on 12 June 2014. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Senior Instruments and Subordinated

Instruments to equity (the general bail-in tool), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as Subordinated Instruments at the point of non-viability and before any other resolution action is taken (non-viability loss absorption). Any shares issued to holders of Subordinated Instruments upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as Subordinated Instruments) are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The BRRD provides that it will be applied by Member States from 1 January 2015, except for the general bail-in tool which is to be applied from 1 January 2016.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is implemented, holders of Instruments may be subject to write-down or conversion into equity on any application of the general bail-in tool and, in the case of Subordinated Instruments, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Instruments and/or the ability of the Guarantor to satisfy its obligations under the Guarantee.

The BRRD Implementation Law approved by the Parliament (but not published yet) establishes that the FROB shall apply the bail-in tool in accordance with a specific preference order; in particular, the FROB is required to write-down or convert debts in the following order: (i) Common Equity Tier 1 instruments; (ii) Additional Tier 1 instruments, (iii) Tier 2 instruments; (iv) other subordinated claims that do not qualify as Additional Tier 1 instruments or Tier 2 instruments; and (v) eligible senior claims.

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

Prospective investors should note that the Commissioner (which owes certain obligations to the Syndicate of Holders (as described in the Issue and Paying Agency Agreement) will be appointed by the relevant Issuer and that may also be an employee or officer of such Issuer or of the Guarantor.

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

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

Law 22/2003 provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication

of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days), (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.

The BRRD Implementation Law approved by the Parliament (but not published yet) establishes a change in the ranking of claims under Article 92.2 of the Insolvency Law. According to such change Subordinated Instruments qualifying as Tier 2 instruments will rank (i) *pari passu* among themselves and other Subordinated Instruments and any other contractually subordinated obligations of Santander Issuances, S.A.U. qualifying as Tier 2 instruments, (ii) senior to any contractually subordinated obligations of Santander Issuances, S.A.U. qualifying as Additional Tier 1 instruments and (iii) junior to any contractually subordinated obligations not qualifying as Additional Tier 1 instruments or Tier 2 instruments.

Law 38/2011 of 10 October implemented certain amendments to the Insolvency Law which, in certain instances, have the effect of modifying or impairing creditors' rights.

***Suitability.***

Prospective investors should determine whether an investment in the Instruments is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in the Instruments and to arrive at their own evaluations of the investment.

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

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

***The Instruments may be redeemed by the Issuer prior to maturity.***

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

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

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



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

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

***Risks related to the structure of a particular issue of Instruments.***

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

***Instruments subject to optional redemption by the Issuers.***

An optional redemption feature of Instruments is likely to limit their market value. During any period when the Issuers may elect to redeem Instruments, the market value of those Instruments generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuers may be expected to redeem Instruments when their cost of borrowing is lower than the interest rate on the Instruments. 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 Instruments 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.

***Risks in relation to early redemption of Subordinated Instruments.***

With respect to the provisions of the Subordinated Instruments, Article 63(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms provides that for subordinated instruments to qualify as Tier 2 instruments, among other requirements:

*"the provisions governing the instruments or subordinated loans, as applicable, do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in the insolvency or liquidation of the institution."*

***Structured Instruments (including Equity or Inflation Index Linked Interest Instruments).***

The Issuers may issue Instruments with interest determined by reference to an Inflation or Equity index (each, a **Relevant Index**). Potential investors should be aware that:

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) a Relevant Index may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices;
- (iv) if a Relevant Index is applied to Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Index on interest payable likely will be magnified; and

- (v) the timing of changes in a Relevant Index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Index, the greater the effect on yield.

***Partly-paid Instruments.***

The Issuers may issue Instruments where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of the payable interest payments.

***Inverse Floating Rate Instruments.***

Inverse Floating Rate Instruments 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 Instruments 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 Instruments are more volatile because an increase in the reference rate not only decreases the interest rate of the Instruments, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Instruments.

***Fixed/Floating Rate Instruments.***

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

***Instruments issued at a substantial discount or premium.***

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

***Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments***

An investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments entails certain risks, which may vary depending on the specification and type or structure of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments.

Each potential investor should determine whether an investment in the Instruments is appropriate in its particular circumstances. An investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments requires a thorough understanding of the nature of the relevant transaction. Potential investors should be experienced with respect to an investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and be aware of the related risks.

An investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is only suitable for potential investors who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and the information contained or incorporated by reference into this document;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Instruments will have on their overall investment portfolio;
- (c) understand thoroughly the terms of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and are familiar with the behaviour of the relevant underlying Index or Share Index and financial markets;
- (d) are capable of bearing the economic risk of an investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments until the maturity date of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments;
- (e) recognise that it may not be possible to dispose of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments for a substantial period of time, if at all before the maturity date; and
- (f) are able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect the investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and the investor's risks.

Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments unless such potential investor has the expertise (either alone or with a financial and legal adviser) to evaluate how the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will perform under changing conditions, the resulting effects on the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

Potential investors in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments should be aware that:

- (a) the market price of such Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may be very volatile;
- (b) investors in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may receive no interest;
- (c) a relevant underlying Index or Share Index may be subject to significant fluctuations that may not correlate with changes in securities prices, indices or inflation indices;
- (d) if a relevant underlying Index or Share Index is applied to Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the relevant underlying Index or Share Index on interest payable on such Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is likely to be magnified; and
- (e) the timing of changes in a relevant underlying Index or Share Index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant underlying Index or Share Index, the greater the effect on yield.

***Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments are not ordinary debt securities***

The terms of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments differ from those of ordinary debt securities because the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may not pay interest on maturity, depending on the performance of the relevant underlying Index or Share Index. Prospective investors who consider purchasing Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments should reach an investment decision only after carefully considering the suitability of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments in light of their particular circumstances. The price of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may fall in value as rapidly as it may rise.

***The value of Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments may be influenced by unpredictable factors***

The value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may be influenced by several factors beyond the Issuer's and the Guarantor's control including:

1. Valuation of the relevant underlying Index or Share Index. The market price or value of an Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument at any time is expected to be affected primarily by changes in the price, level, or value of the relevant underlying Index or Share Index to which the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments are linked. It is impossible to predict how the price, level, or value of the relevant underlying Index or Share Index will vary over time. The historical performance value (if any) of the relevant underlying Index or Share Index does not indicate the future performance of the relevant underlying Index or Share Index. Factors which may have an effect on the price, level, or value of the relevant underlying Index or Share Index include the rate of return of the relevant underlying Index or Share Index and, where relevant, the financial position and prospects of the Index Sponsor or Share Index Sponsor, the market price, level or value of the applicable underlying Index or Share Index or basket of Indices or Share Indices. In addition, the price, level, or value of the relevant underlying Index or Share Index may depend on a number of inter related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is linked to the relevant underlying Index or Share Index and will be influenced (positively or negatively) by the relevant underlying Index or Share Index, any change may not be comparable and may be disproportionate. It is possible that while the relevant underlying Index or Share Index is increasing in value, the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may fall. Further, the Conditions of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will allow the Calculation Agent to make adjustments or take any other appropriate action if circumstances occur where the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments or any exchanges or price sources are affected by market disruption, adjustment events or circumstances affecting normal activities;
2. Volatility. The term volatility refers to the actual and anticipated frequency and magnitude of changes of the market price, level or value with respect to a relevant underlying Index or Share Index. Volatility is affected by a number of factors such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a relevant underlying Index or Share Index will move up and down over time (sometimes more sharply than at other times) and different relevant underlying Index or Share Index will most likely have separate volatilities at any particular time;

3. Dividend Rates and other Distributions. The value of certain Equity Index-Linked Interest Instruments could, in certain circumstances, be affected by fluctuations in the actual or anticipated rates of dividend (if any) or other distributions on a relevant underlying security referenced by a Share Index;
4. Interest Rates. Investments in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may involve interest rate risk. The interest rate level may fluctuate on a daily basis and cause the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to change on a daily basis. The interest rate risk is a result of the uncertainty with respect to future changes of the market interest rate level. In general, the effects of this risk increase as the market interest rates increase;
5. Remaining Term. Generally, the effect of pricing factors over the term of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will decrease as the maturity date approaches. However, this reduction in the effect of pricing factors will not necessarily develop consistently up until the maturity date, but may undergo temporary acceleration and/or deceleration. Even if the price, level or value of the relevant underlying Index or Share Index rises or falls there may be a reduction or increase, as the case may be, in the value of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments due to the other value determining factors. Given that the term of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is limited, investors cannot rely on the price, level or value of the relevant underlying Index or Share Index or the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments recovering again prior to maturity;
6. Creditworthiness. Any prospective investor who purchases Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is relying upon the creditworthiness of the Issuer and the Guarantor and has no rights against any other person. If the Issuer or the Guarantor becomes insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors, such as a relevant underlying Index or Share Index; and
7. Exchange Rates. The value of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is to be made and any currency in which a relevant underlying Index or Share Index is traded, appreciation or depreciation of any such currencies and any existing or future or governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will be representative of the relevant rates of exchange used in computing the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at any time thereafter.

Some or all of the above factors will influence the price that investors will receive if an investor sells its Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments prior to maturity which is usually referred to as "secondary market practice". For example, investors may have to sell certain Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at a substantial discount from the principal amount or investment amount if the market price, level or value of the applicable relevant underlying Index or Share Index is at, below, or not sufficiently above the initial market price, level or value or if market interest rates rise. The secondary market price of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may be lower than the market value of the issued Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments as at the Issue Date due to, amongst other things, amounts paid to distributors and other intermediaries relating to the issue and sale of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, any investor that sells the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments before the stated expiration or maturity date, may receive

an amount in the secondary market which may be less than the then intrinsic market value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and which may also be less than the amount the investor would have received had the investor held the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments through to maturity.

***Certain considerations regarding the use of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments as hedging instruments***

Any person intending to use Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments as a hedge instrument should recognise the "correlation risk" of doing this. Correlation risk is the potential differences in exposure for a potential investor that may arise from the ownership of more than one financial instrument. Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may not hedge exactly a relevant underlying Index or Share Index or portfolio of which a relevant security or index forms a part. In addition, it may not be possible to liquidate Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at a price which directly reflects the price, level or value of the relevant underlying Index or Share Index or portfolio of which a share or index forms part. Potential investors should not rely on the ability to conclude transactions during the term of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to offset or limit the relevant risks. This depends on the market situation and the specific relevant underlying Index or Share Index conditions. It is possible that such transactions will only be concluded at an unfavourable market price, resulting in a corresponding loss for the Securityholder.

***Effect of the liquidity of the relevant underlying Index or Share Index on Equity Index- Linked Interest Instruments and Inflation Linked Interest Instruments pricing***

The Issuer's and its affiliates hedging costs tend to be higher the less liquidity the relevant underlying Index or Share Index has or the greater the difference between the "buy" and "sell" prices for the relevant underlying Index or Share Index or derivatives contracts referenced to the relevant underlying Index or Share Index. When quoting prices for Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments, the Issuer will factor in such hedging costs and will pass them on to the Holders of the Instruments by incorporating them into the "buy" and "sell" prices. Thus, the Holders of the Instruments selling their Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments on an exchange or on the over-the-counter market may be doing so at a price that is substantially lower than the actual value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at the time of sale.

***Exchange rates and exchange controls may affect the value or return of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments***

*General Exchange rate and exchange control risks.*

An investment in an Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument denominated in, or the payment of which is linked to value for a relevant underlying Index or Share Index denominated in currencies other than the investor's home currency entails significant risks. These risks include the possibility of significant changes in rates of exchange between its home currency and the other relevant currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental authorities. These risks generally depend on economic and political events over which the Issuer has no control. Investors should consult their financial and legal advisors as to any specific risks entailed by an investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments that are denominated or payable in, or the payment of which is linked to values for a relevant underlying Index or Share Index denominated in a currency other than the currency of the country in which such investor resides or in which such investor conducts its business, which is referred to as their home currency. Such Equity Index-

Linked Interest Instruments or Inflation Linked Interest Instruments are not appropriate investments for investors who are not sophisticated in foreign currency transactions.

*Exchange rates may affect the investor's investment.*

In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments. Depreciation against the investor's home currency or the currency in which an Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument is payable would result in a decrease in the effective yield of the Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument below its coupon rate and could result in an overall loss to an investor on the basis of the investor's home currency.

***Investors have no shareholder rights***

As an owner of Equity Index-Linked Interest Instruments, investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any underlying Index or Share Index.

***Potential conflicts of interest between the investor and the Calculation Agent***

If acting as Calculation Agent for Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to one or more Indices or Share Indices the Guarantor or the Issuer will determine the payout to the investor at maturity. The Issuer, the Guarantor and their affiliates may also carry out hedging activities related to any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to one or more Index or Share Index, including trading in the underlying Indices or Share Indices, as well as in other instruments related to the underlying Indices or Share Indices. The Issuer, the Guarantor and their affiliates may also trade the applicable underlying Indices or Share Indices and other financial instruments related to the underlying Indices or Share Indices on a regular basis as part of their general broker dealer and other businesses. Any of these activities could influence the Calculation Agent's determination of adjustments made to any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to one or more Indices or Share Indices and any such trading activity could potentially affect the price, level or value of the underlying Indices or Share Indices and, accordingly, could affect the investor's payout on any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments.

***Market Disruption Event, Disrupted Day and adjustments***

The Calculation Agent may determine that a Market Disruption Event or a failure to open of an Exchange or Related Exchange has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Instruments.

In addition the Calculation Agent may make adjustments to Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to account for relevant adjustments or events in relation to the relevant underlying Index or Share Index including, but not limited to, determining a successor to the relevant underlying Index or Share Index or its Index sponsor or Share Index Sponsor. In addition, in certain circumstances, the Issuer may redeem the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments prior to the Maturity Date following any such event. In this case, in relation to each Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument, the Issuer will pay an amount, if any, determined as provided in the Conditions.

Prospective investors should review the Conditions of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to ascertain whether and how such provisions apply to Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and what constitutes a Market Disruption Event or relevant adjustment event.

### *Caps and floors*

The formula or other basis for determining the value and/or performance of the relevant underlying Indices or Share Indices in respect of a Series of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments (or of individual Indices or Share Indices comprised in a relevant underlying basket of Indices or Share Indices) may provide for a maximum value, or cap, such that any value and/or performance of the relevant underlying Index or Share Index (or individual basket components) in excess of the applicable cap will not be taken into account for the purposes of the relevant determination. Amounts payable on the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to such capped value and/or performance will be limited accordingly.

The formula or other basis for determining the value and/or performance of the relevant underlying Indices or Share Indices in respect of a Series of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments (or of individual Indices or Share Indices comprised in a relevant underlying basket of Indices or Share Indices) may alternatively, or additionally, be subject to a minimum value, or floor, such that any value and/or performance of the relevant underlying Index or Share Index (or individual basket components) below the applicable floor will not be taken into account for the purposes of the relevant determination. Amounts payable on the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to such floored value and/or performance will be limited accordingly. However, depending on the relevant formula or other basis for determination, such a floor may entitle holders to receive payment(s) greater than they would have received if the relevant determination had not been subject to the floor.

### *The Issuers' obligations under Subordinated Instruments are subordinated.*

Santander Issuances' obligations under Subordinated Instruments will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of Santander Issuances. Although Subordinated Instruments may pay a higher rate of interest than comparable Instruments which are not subordinated, there is a real risk that an investor in Subordinated Instruments will lose all or some of his investment should Santander Issuances and the Guarantor become insolvent. The payment of principal and interest in respect of the Subordinated Instruments and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Subordinated Instruments and any relative Coupons and Receipts will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Subordinated Guarantee. The Guarantor's obligations under the Subordinated Guarantee will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Guarantor.

### *Credit ratings may not reflect all risks.*

One or more independent credit rating agencies may assign credit ratings to the Instruments. 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 Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, 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). 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). Certain information with respect to the credit rating agencies and ratings will be disclosed in the relevant Final Terms.

## DESCRIPTION OF THE ISSUERS{ TC "DESCRIPTION OF THE ISSUERS" \f C \l "1" }

### 1. PERSONS RESPONSIBLE

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

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

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

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

### 2. STATUTORY AUDITORS

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

The auditors of each of the Issuers are Deloitte, S.L. (registered under number S-0692 in the official registry of auditors of accounts (*registro oficial de auditores de cuentas*)). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*. The address of Deloitte, S.L. is Plaza Pablo Ruiz Picasso, No. 1, 28020 Madrid, Spain.

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

Auditors have not resigned or been removed and were last re-appointed by each of the Issuers on 20 May 2014 to audit their respective annual financial statements for the financial year ending 31 December 2014.

### 3. SELECTED FINANCIAL INFORMATION

- 3.1 *Selected historical financial information under Spanish GAAP regarding the issuer, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the issuer.*

	As at and for the year ended (in thousand euro)	
	31 December 2014	31 December 2013
<b>Santander International</b>		
Total Assets.....	20,315,310	22,217,635
Deposits at Banco Santander.....	19,895,918	21,743,952
Debt instruments .....	20,284,390	22,196,447
Share Capital.....	180	180
Profit/(Loss) .....	1467	2,414

	As at and for the year ended (in thousand euro)	
	31 December 2014	31 December 2013
<b>Santander Issuances</b>		
Total Assets.....	5,663,915	9,753,082
Deposits at Banco Santander.....	5,642,482	9,666,330
Subordinated debt instruments.....	5,655,020	9,678,599
Share Capital.....	60	60
Profit/(Loss).....	80	283

#### 4. RISK FACTORS

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

See "Risk Factors" on pages 27-63 of this Base Prospectus.

#### 5. INFORMATION ABOUT THE ISSUER

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

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

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

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

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

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

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

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

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

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

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

###### 5.1.5 *any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.*

There are no such recent events.

##### 5.2 *Investments*

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

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

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

No commitments regarding future investments have been made.

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

Not applicable.

6. **BUSINESS OVERVIEW**

6.1 ***Principal activities:***

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

Each of the Issuers is a special purpose financing vehicle for Banco Santander, S.A. Each Issuer's sole business is raising debt to be on-lent to the Guarantor and other members of the Group on an arm's length basis. Each Issuer is accordingly dependent upon the Guarantor and other members of the Group servicing such loans.

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

There are no such new products and/or activities.

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

Not applicable.

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

There are no such statements included.

7. **ORGANISATIONAL STRUCTURE**

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

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

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

Both the Issuers and the Guarantor are part of Santander Group. The Issuers are instrumental companies of the Guarantor which is the parent entity of the Santander Group. Therefore, each Issuer is dependent upon the Guarantor and other members of the Group.

8. **TREND INFORMATION**

8.1 ***Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements.***

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

There has been no material adverse change in the prospects of each of the Issuers since 31 December 2014.

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

Not applicable.

## 9. PROFIT FORECASTS OR ESTIMATES

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

Not applicable.

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

*There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.*

Not applicable.

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

Not applicable.

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

Not applicable.

## 10. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

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

(a) *members of the administrative, management or supervisory bodies; and*

(b) *partners with unlimited liability, in the case of a limited partnership with a share capital.*

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

The name, business address, position and other position in the Group for Santander International is as follows:

Name	Business Address	Position	Other position in the Group
José Antonio Soler Ramos	Ciudad Grupo Santander Edificio Encinar, Planta 2 <sup>a</sup>	Chairman	- Deputy General Manager of the Guarantor
	Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain		- Chairman of Santander US Debt, S.A.U. - Director of Openbank, S.A. - Chairman of Santander Issuances, S.A.U.

<b>Name</b>	<b>Business Address</b>	<b>Position</b>	<b>Other position in the Group</b> <ul style="list-style-type: none"> <li>- Chairman of Santander Commercial Paper, S.A.U.</li> <li>- Director of Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A.</li> <li>- Director of Santander Benelux, S.A./N.V.</li> </ul>
María Visitación Díaz Varona	Ciudad Grupo Santander Edificio Encinar, Planta 2 <sup>a</sup>  Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	<ul style="list-style-type: none"> <li>- Operating and Accounting Control Manager of the Guarantor</li> <li>- Director of Emisora Santander España, S.A.U.</li> <li>- Director of Santander Finance Preferred, S.A.U.</li> <li>- Director of Santander US Debt, S.A.U.</li> <li>- Chairman of Santander Finance Capital, S.A.U.</li> <li>- Director of Santander Issuances, S.A.U.</li> <li>- Director of Santander Emisora 150, S.A.U.</li> <li>- Director of Santander Commercial Paper, S.A.U.</li> </ul>
Antonio Torío Martín	Ciudad Grupo Santander Edificio Encinar, Planta 2 <sup>a</sup>  Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	<ul style="list-style-type: none"> <li>- Corporate Issues Manager of the Guarantor</li> <li>- Chairman of Santander Finance Preferred, S.A.U.</li> <li>- Director of Santander US Debt, S.A.U.</li> <li>- Director of Santander Issuances, S.A.U.</li> <li>- Director of Santander Commercial Paper, S.A.U.</li> <li>- Director of Banesto Financial Products, plc</li> <li>- Chairman of Emisora Santander España, S.A.U.</li> </ul>
Pablo Roig Garcia Bernalt	Ciudad Grupo Santander Edificio Encinar, Planta 2 <sup>a</sup>  Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	Asset-Liability Management Analysis Manager of the Guarantor  <ul style="list-style-type: none"> <li>- Director of Santander Finance Preferred, S.A.U.</li> <li>- Director of Santander US Debt, S.A.U.</li> <li>- Director of Santander Finance Capital, S.A.U.</li> <li>- Director of Santander Issuances, S.A.U.</li> <li>- Director of Santander Emisora 150, S.A.U.</li> <li>- Director of Santander Perpetual,</li> </ul>

<b>Name</b>	<b>Business Address</b>	<b>Position</b>	<b>Other position in the Group</b> S.A.U. - Director of Santander Commercial Paper, S.A.U. - Director of Santander International Preferred, S.A.U.
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None of the directors referred to above carries out any activities outside Santander International or the Group.

The name, business address, position and other position in the Group for Santander Issuances is as follows:

<b>Name</b>		<b>Business Address</b>	<b>Position</b>	<b>Other position in the Group</b>
José Antonio Soler Ramos		Ciudad Grupo Santander Edificio Encinar, Planta 2 <sup>a</sup>  Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Chairman	- Deputy General Manager of the Guarantor  - Chairman of Santander US Debt, S.A.U. - Director of Openbank, S.A. - Chairman of Santander International Debt, S.A.U. - Chairman of Santander Commercial Paper, S.A.U. - Director of Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A. - Director of Santander Benelux, S.A./N.V.
María Visitación Díaz Varona		Ciudad Grupo Santander Edificio Encinar, Planta 2 <sup>a</sup>  Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	- Operating and Accounting Control Manager of the Guarantor  - Director of Emisora Santander España, S.A.U. - Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Chairman of Santander Finance Capital, S.A.U. - Director of Santander International Debt, S.A.U. - Director of Santander Emisora 150, S.A.U. - Director of Santander Commercial Paper, S.A.U.
Antonio Martín	Torío	Ciudad Grupo Santander Edificio Encinar Planta 2 <sup>a</sup>  Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	- Corporate Issues Manager of the Guarantor  - Chairman of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Director of Santander International Debt, S.A.U. - Director of Santander Commercial Paper, S.A.U.

<b>Name</b>	<b>Business Address</b>	<b>Position</b>	<b>Other position in the Group</b>
			- Director of Banesto Financial Products, plc -Chairman of Emisora Santander España, S.A.U.
Pablo Roig Garcia Bernalt	Ciudad Grupo Santander Edificio Encinar, Planta 2 <sup>a</sup> Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	- Asset-Liability Management Analysis Manager of the Guarantor - Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Director of Santander Finance Capital, S.A.U. - Director of Santander International Debt, S.A.U. - Director of Santander Emisora 150, S.A.U. - Director of Santander Perpetual, S.A.U. - Director of Santander Commercial Paper, S.A.U. - Director of Santander International Preferred, S.A.U. .

None of the directors referred to above carries out any activities outside Santander Issuances or the Group.

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

There are no such conflicts of interest.

## 11. BOARD PRACTICES

- 11.1 *Details relating to the issuer's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.*

The Issuers do not have an audit committee.

- 11.2 *A statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime(s). In the event that the issuer does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.*

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



12. **MAJOR SHAREHOLDERS**

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

Each of the Issuers is a wholly owned subsidiary of the Guarantor and as such there is no indirect ownership of the Issuers.

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

There are no such arrangements.

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

- 13.1 *Historical Financial Information: Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards for issuers from the Community.*

*For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.*

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

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

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

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

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

**Santander Issuances**

See "Documents Incorporated by Reference-Santander Issuances Annual Financial Information".

## **Santander International**

See "Documents Incorporated by Reference-Santander International Annual Financial Information".

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

Each of the Issuers prepares only own financial statements.

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

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

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

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

There is no such other information.

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

There is no such information

- 13.4 ***Age of latest financial information.***

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

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

- 13.5 ***Interim and other financial information.***

- 13.5.1 ***If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the base prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is un-audited or has not been reviewed state that fact.***

The Issuers have not published interim financial information since the date of its last audited financial statements.

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

Not applicable

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

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which each Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on any Issuer's financial position or profitability.

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

There has been no significant change in the financial or trading position of the Issuers since 31 December 2014 (being the date of the most recently published consolidated financial statements of the Issuers) and there has been no material adverse change in the prospects of the Issuers since 31 December 2014.

Since 16 June 2014, Santander International Debt, S.A. Unipersonal has made the following debt securities issues:

Issue Date	Description
08 August 2014	USD 6,744,000 Fixed Rate Note due 8 August 2019, Series 306
10 September 2014	USD 24,669,000 Fixed Rate Note due 10 September 2019, Series 309
12 September 2014	USD 10,000,500 Fixed Rate Note due 14 September 2015, Series 310
16 September 2014	EUR 50,000,000 Floating Rate Note due 16 October 2015, Series 300
23 September 2014	GBP 35,109,000 Fixed Rate Note due 23 September 2017, Series 311
29 September 2014	USD 25,000,500 Index Rate Note due 29 September 2017, Series 307
29 September 2014	USD 30,000,000 Fixed Rate Note due 29 September 2019, Series 308
07 October 2014	USD 50,001,000 Index Rate Note due 7 October 2017, Series 312
10 October 2014	EUR 100,000,000 Floating Rate Note due 10 October 2016, Series 313
06 November 2014	EUR 1,000,000,000 Floating Rate Note due 6 November 2016, TAP Series 314
28 November 2014	GBP 15,489,000 Fixed Rate Note due 28 November 2017, Series 316
01 December 2014	USD 50,001,000 Fixed Rate Note due 1 December 2017, Series 315
30 December 2014	USD 7,066,500 Index Rate Note due 30 December 2017, Series 317
23 January 2015	EUR 100,000,000 Floating Rate Note due 23 January 2017, Series 318
26 January 2015	EUR 250,000,000 Floating Rate Note due 26 January 2016, Series 319

27 January 2015	EUR 102,500,000 Floating Rate Note due 6 November 2016, TAP Series 314
28 January 2015	EUR 200,000,000 Floating Rate Note due 28 January 2016, Series 320
06 February 2015	EUR 25,000,000 Floating Rate Note due 6 November 2016, TAP Series 314
24 February 2015	EUR 70,000,000 Fixed Rate Note due 24 February 2027, Series 322
27 February 2015	USD 58,674,000 Index Rate Note due 27 February 2018, Series 321
04 March 2015	EUR 300,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
05 March 2015	EUR 150,000,000 Fixed Rate Note due 5 March 2027, Series 324
06 March 2015	EUR 52,000,000 Fixed Rate Note due 6 March 2030, Series 325
10 March 2015	EUR 140,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
11 March 2015	USD 14,139,000 Fixed Rate Note due 11 March 2020, Series 326
13 March 2015	EUR 50,000,000 Fixed Rate Note due 13 March 2019, Series 327
18 March 2015	EUR 35,000,000 Fixed Rate Note due 18 March 2020, Series 328
27 March 2015	USD 51,601,500 Fixed Rate Note due 27 March 2018, Series 331
27 March 2015	GBP 7,562,000 Fixed Rate Note due 27 March 2018, Series 332
27 March 2015	USD 15,654,000 Index Rate Note due 27 March 2018, Series 329
27 March 2015	USD 16,152,000 Index Rate Note due 27 March 2020, Series 330
02 April 2015	USD 23,224,500 Fixed Rate Note due 2 April 2020, Series 333
08 April 2015	USD 30,000,000 Fixed Rate Note due 8 April 2018, Series 334
10 April 2015	EUR 80,000,000 Fixed Rate Note due 10 April 2017, Series 335
24 April 2015	EUR 60,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
27 April 2015	EUR 105,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
30 April 2015	USD 20,073,000 Index Rate Note due 30 April 2018, Series 336
30 April 2015	EUR 50,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
13 May 2015	EUR 25,000,000 Fixed Rate Note due 13 May 2030, Series 337
20 May 2015	EUR 50,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
20 May 2015	EUR 50,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
20 May 2015	EUR 125,000,000 Floating Rate Note due 4 March 2020, TAP Series 323

22 May 2015	USD 39,994,500 Index Rate Note due 22 May 2018, Series 339
22 May 2015	USD 9,982,500 Index Rate Note due 22 May 2020, Series 338
02 June 2015	EUR 50,000,000 Floating Rate Note due 4 March 2020, TAP Series 323
02 June 2015	EUR 50,000,000 Floating Rate Note due 4 March 2020, TAP Series 323

Since 16 June 2014, Santander Issuances, S.A. Unipersonal has made the following debt securities issues:

Issue Date	Description
18 March 2015	EUR 1,500,000,000 Bullet Tier 2 due 18 March 2025, Series 25

#### 14. ADDITIONAL INFORMATION

##### 14.1 *Share Capital*

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

The share capital of Santander International Debt, S.A. Unipersonal is €180,600 divided into 1,806 ordinary shares with a par value of €100 each and the share capital of Santander Issuances, S.A. Unipersonal is €60,200 divided into 602 ordinary shares with a par value of €100 each. All of the shares are issued and fully paid-up and constitute a single class.

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

- 14.2.1 *The register and the entry number therein, if applicable, and a description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association.*

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

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

#### 15. MATERIAL CONTRACTS

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

There are no such material contracts.

#### 16. THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

- 16.1 *Where a statement or report attributed to a person as an expert is included in the Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included,*

*in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Base Prospectus.*

Not applicable.

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

No such information is included.

**17. DOCUMENTS ON DISPLAY**

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

- (a) the memorandum and articles of association of the issuer;*
- (b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the base prospectus;*
- (c) the historical financial information of the issuer or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the base prospectus.*

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

For the life of the Base Prospectus, the following documents may be inspected by physical or electronic means at the registered office of each of the Issuers, at the offices of each of the Issue and Paying Agent and of the Paying Agents specified at the end of the Base Prospectus:

- (i) the *estatutos* (by-laws) of each of the Issuers; and
- (ii) the information incorporated by reference herein under "Documents Incorporated by Reference" and under "the Description of the Issuer - Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profit and Losses".

The documents listed in (i) and (ii) above shall be published in electronic form (pdf copies) on the website of Banco Santander ([www.bancosantander.com](http://www.bancosantander.com)). Each of the Final Terms shall be published on electronic form (pdf copies) on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

## DESCRIPTION OF THE GUARANTOR{ TC "DESCRIPTION OF THE GUARANTOR" \f C \l "1" }

### INFORMATION TO BE DISCLOSED ABOUT THE GUARANTOR

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

#### 1. PERSONS RESPONSIBLE

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

Banco Santander, S.A. (the "**Guarantor**", the "**Bank**" or "**Banco Santander**") accepts responsibility for the information contained in this Base Prospectus relating to the Guarantor.

Banco Santander is the Guarantor under this Base Prospectus and assumes responsibility for the guarantee.

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

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

#### 2. STATUTORY AUDITORS

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

The non-consolidated and consolidated annual financial statements of Banco Santander, S.A. for the years ended 31 December 2014 and 31 December 2013 were audited by the independent auditors, Deloitte, S.L. Deloitte, S.L. is registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*. The address of Deloitte, S.L. is Plaza Pablo Ruiz Picasso, 1, Madrid.

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

The Bank's auditors have not resigned nor been removed, and were last re-appointed by the Bank on 27 March 2015 to audit the annual financial statements for the financial year ended 31 December 2015.

#### 3. SELECTED FINANCIAL INFORMATION

- 3.1 *Selected historical financial information regarding the guarantor prepared under IFRS-EU, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the guarantor.*

<b>Balance Sheet and Income Statement</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>Variation (%)</b>
<i>(Million euro)</i>			
Total assets	1,266,296	1,115,763	13.5
Customer loans (net)	734,711	668,856	9.8
Customer deposits	647,627	607,837	6.5
Customer funds under management	1,026,437	924,621	11.0
Shareholders' Equity	91,663	84,480	8.5
Total managed funds	1,428,083	1,240,806	15.1
Net interest income	29,547	25,935	13.9
Total income	42,612	39,666	7.4
Operating profit / (loss) before tax	10,679	7,378	44.7
Profit from continuing operations	6,961	5,344	30.3
Attributable profit to the Group	5,816	4,175	39.3

3.2 *If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet data is satisfied by presenting the year end balance sheet information.*

<b>Balance sheet (million euro)**</b>	<b>As at and for the three months ended 31 March 2015</b>	<b>31 March 14</b>	<b>Variation (%)</b>
Total assets	1,369,689	1,168,718	17.2
Net customer loans	793,965	694,595	14.3
Customer deposits	687,362	620,135	10.8



Customer funds under management	1,091,174	966,704	12.9
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Shareholders' equity	99,988	85,632	27.5
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Total managed funds	1,545,444	1,313,014	17.7
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**Income statement**

Net Interest income	8,038	6,992	15.0
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Gross income	11,444	10,124	13.0
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Ordinary profit / (loss) before taxes	2,989	3,102	39.1
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Ordinary profit from continuing operations	2,067	1,554	30.9
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Attributable profit to the Group	1,717	1,303	31.8
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**\*\* Non audited information**

**4. RISK FACTORS**

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

See "Risk Factors" on pages 27-63 of this Base Prospectus.

**5. INFORMATION ABOUT THE GUARANTOR**

**5.1 *History and development of the guarantor.***

**5.1.1 *Legal and trading name of the guarantor***

The name of the Bank is Banco Santander, S.A. and it operates under the trading name "Santander".

**5.1.2 *The place of registration of the guarantor and its registration number.***

The Bank is registered in the Mercantile Registry of Cantabria in book 83, folio 1, sheet 9, entry 5519, and adapted its Bylaws to conform with current legislation regarding limited liability companies by a document executed in Santander on 8 June 1992 before the Public Notary Mr. José María de Prada Díez, and numbered 1316 in his records, and registered in the Mercantile Registry of Cantabria in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

The current By laws, which have been adapted to the current *Ley de Sociedades de Capital* (**Spanish Corporations Law**), were approved by the shareholders at the General Shareholders' Meeting held on 30 March 2012 and filed with the Office of the Mercantile Registry on 27 August 2012. However, Article 5 of such By-laws, which relates to the current authorised share capital, was last amended by the share increase carried on 30 January 2014.

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully issued and paid up of €7,158,316,402.50 divided into 14,316,632,805 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

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

**5.1.3 *The date of incorporation and the length of life of the guarantor, except where indefinite.***

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

The Bank was transformed to a Credit Company (*Sociedad Anónima de Crédito*) by a public deed executed on 14 January 1875 that was recorded with the Mercantile Registry of the Government of the Province of Santander.

The Bank commenced trading at the time of its formation and according to Article 4.1 of the Articles of Association it will remain in existence for an indefinite period.

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

The Bank is domiciled in Spain and has the legal form of a limited liability company (*Sociedad Anónima*) and its activities are subject to special Spanish legislation governing credit institutions in general and the supervision, control and regulation of the Bank of Spain in particular.

The Bank was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The headquarters of the Bank are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520.

**5.1.5 *Any recent events particular to the guarantor which are to a material extent relevant to the evaluation of the guarantor's solvency.***

**Principal Capital Expenditures and Divestitures**

**Acquisitions, Dispositions, Reorganizations**

Our principal acquisitions and dispositions in 2014, 2013 and 2012 were as follows:

*Sale of Altamira Asset Management*

On November 21, 2013, we announced that we had reached a preliminary agreement with Apollo European Principal Finance Fund II, a fund managed by subsidiaries of Apollo Global Management, LLC, for the sale of the platform for managing the recovery of Banco Santander, S.A.'s loans in Spain and for managing and marketing the properties obtained through this activity ("Altamira Asset Management, S.L.").

On January 3, 2014, we announced that we had sold 85% of the share capital of Altamira Asset Management, S.L. to Altamira Asset Management Holdings, S.L., an investee of Apollo European Principal Finance Fund II, for €664 million, giving rise to a net gain of €385 million, which was recognised in our consolidated income statement for 2014.

Following this transaction, we retained the aforementioned property assets and loan portfolio on our balance sheet, while management of these assets is carried out from the platform owned by Apollo.

#### *Santander Consumer USA*

In January 2014, the public offering of shares of Santander Consumer USA Inc. ("SCUSA") was completed and the company was admitted to trading on the New York Stock Exchange. The offering represented 21.6% of SCUSA's share capital, of which 4.23% related to the ownership interest sold by the Group. Following this sale, we held 60.74% of the share capital of SCUSA (December 31, 2014: 60.46%). Both Sponsor Auto Finance Holdings Series LP ("Sponsor Holdings") – an investee of funds controlled by Warburg Pincus LLC, Kohlberg Kravis Roberts & Co. L.P. and Centerbridge Partners L.P. – and DDFS LLC ("DDFS") – a company controlled by Thomas G. Dundon, who holds the position of Chief Executive Officer of SCUSA – also reduced their ownership interest in SCUSA.

Since the ownership interests of the aforementioned shareholders were reduced below specified percentages following the offering, the shareholders' agreement previously entered into by the shareholders was terminated in accordance with its terms; this entailed the termination of the agreement which, inter alia, had granted Sponsor Holdings and DDFS representation on the board of directors of SCUSA and had established a voting system under which the strategic, financial and operating decisions, and other significant decisions associated with the ordinary management of SCUSA, were subject to joint approval by the Group and the aforementioned shareholders. Therefore, SCUSA ceased to be controlled jointly by all the above and is now controlled by the Group on the basis of the percentage held in its share capital ("change of control").

Prior to this change of control the Group accounted for its ownership interest in SCUSA using the equity method. Following the change of control, the Group fully consolidated its ownership interest in SCUSA and, on the date it obtained control, included all of SCUSA's assets and liabilities in its consolidated balance sheet at their fair value.

As a result of the aforementioned transaction, we recognised a net gain of €730 million in the consolidated income statement for 2014.

#### *Agreement with El Corte Inglés*

On October 7, 2013, we announced that we had entered into a strategic agreement through our subsidiary Santander Consumer Finance, S.A. with El Corte Inglés, S.A. in the area of consumer finance, which included the acquisition of 51% of the share capital of Financiera El Corte Inglés E.F.C., S.A., with El Corte Inglés, S.A. retaining the remaining 49%. On February 27, 2014, following the receipt of the relevant regulatory and competition authorizations, the acquisition was completed. Santander Consumer Finance, S.A. paid €140 million for 51% of the share capital of Financiera El Corte Inglés E.F.C., S.A.

#### *GetNet Tecnologia Em Captura e Processamento de Transações H.U.A.H. S.A.*

On April 7, 2014, Banco Santander (Brasil) S.A. announced that it had reached an agreement to purchase through an investee all the shares of GetNet Tecnologia Em Captura e Processamento de Transações H.U.A.H. S.A. ("GetNet"). The transaction was completed on July 31, 2014 for a purchase price of BRL1,156 million (approximately €383 million), giving rise to goodwill of €229 million.

#### *Acquisition of non-controlling interests in Banco Santander (Brasil) S.A.*

On April 28, 2014, the Bank's board of directors approved a bid for the acquisition of all the shares of Banco Santander (Brasil) S.A. not then owned by the Group, which represented approximately 25% of the share capital of Banco Santander (Brasil) S.A., offering in consideration Bank shares in the form of Brazilian Depositary Receipts (BDRs) or American Depositary Receipts (ADRs). As part of the bid, the Bank requested that its shares be listed on the São Paulo Stock Exchange in the form of BDRs.

The offer was voluntary, in that the non-controlling shareholders of Banco Santander (Brasil) S.A. were not obliged to participate, and it was not conditional upon a minimum acceptance level. The consideration offered, following the adjustment made as a result of the application of the Santander Dividendo Elección scrip dividend scheme in October 2014, consisted of 0.7152 new Banco Santander shares for each unit or ADR of Banco Santander (Brasil) S.A. and 0.3576 new Banco Santander shares for each ordinary or preference share of Banco Santander (Brasil) S.A.

The bid was accepted by holders of 13.65% of the share capital of Banco Santander (Brasil) S.A. Accordingly, the Group's ownership interest in Banco Santander (Brasil) S.A. rose to 88.30% of its share capital. To cater for the exchange, the Bank, executing the agreement adopted by the extraordinary general shareholders' meeting held on September 15, 2014, issued 370,937,066 shares, representing approximately 3.09% of the Bank's share capital at the issue date. The aforementioned transaction gave rise to an increase of €185 million in Share capital, €2,372 million in Share premium and €15 million in Reserves, and a reduction of €2,572 million in Non-controlling interests.

The shares of Banco Santander (Brasil) S.A. continue to be listed on the São Paulo and New York stock exchanges.

#### *Custody business*

On June 19, 2014, we announced that we had reached a definitive agreement with FINESP Holdings II B.V., a subsidiary of Warburg Pincus, to sell a 50% stake in Santander's current custody business in Spain, Mexico and Brazil, retaining the remaining 50%. The transaction values the business at €975 million at the date of the announcement. The sale is subject to receipt of the relevant regulatory authorizations which, in accordance with the agreement, should be obtained in the first half of 2015.

#### *Agreement with GE Capital*

On June 23, 2014, we announced that Santander Consumer Finance, S.A., Banco Santander's consumer finance unit had reached an agreement with GE Money Nordic Holding AB to acquire GE Capital's business in Sweden, Denmark and Norway for approximately €693 million at the date of the announcement. The acquisition was completed on November 6, 2014, following the receipt of the relevant authorizations.

#### *Agreement with Banque PSA Finance*

We, through our subsidiary Santander Consumer Finance, S.A., and Banque PSA Finance, the vehicle financing unit of the PSA Peugeot Citroën Group, entered into an agreement in July 2014 for the joint operation of the vehicle financing business in eleven European countries. Pursuant to the terms of the agreement, we will finance this business under certain circumstances and conditions from the date on which the transaction is completed, which is expected to occur in 2015 or at the beginning of 2016. In addition, in certain countries, we will purchase the current lending portfolio of Banque PSA Finance. We also entered into a cooperation agreement relating to the insurance business in all these countries through the set up of two insurance companies in Malta. We have obtained authorization from the competition authorities but the transaction remains subject to approval by the other relevant regulatory bodies.

In January 2015, the relevant regulatory authorizations were obtained for the commencement of activities in France and the United Kingdom.

#### *Agreement with CNP*

On July 10, 2014, we announced that we had reached an agreement with the French insurance company CNP to acquire a 51% stake in three insurance companies based in Ireland (Santander Insurance Life Limited, Santander Insurance Europe Limited and Santander Insurance Services Ireland Limited) that distribute life and non-life products through the Santander Consumer Finance network.

In December 2014, after the regulatory authorizations were obtained, CNP paid €297 million to acquire 51% , or a controlling interest in, the three aforementioned insurance companies. The agreement includes deferred payments to CNP in 2017 and 2020 and deferred amounts receivable by the Group in 2017, 2020 and 2023, based on the business plan.

The agreement included the execution of a 20-year retail agreement, renewable for five-year periods, for the sale of life and non-life insurance products through the Santander Consumer Finance network, for which we will receive commissions at market rates.

This transaction gave rise to the recognition of a gain of €413 million under Gains/(losses) on disposal of assets not classified as non-current assets held for sale, of which €207 million related to the fair value recognition of the 49% ownership interest retained by us.

#### *Agreement to acquire Carfinco*

On September 16, 2014, we announced that we had reached an agreement to acquire the listed Canadian company Carfinco Financial Group Inc. (“Carfinco”) for an amount of 298 million Canadian dollars (approximately €210 million). Santander will pay 11.25 Canadian dollars per share, which represents a premium of 32% on the share price during the 90 trading sessions prior to September 16, 2014. The board of directors of Carfinco approved the transaction and recommended to its shareholders that they vote in favour of it at the general meeting called for such purpose, and the transaction was completed on March 6, 2015.

The impact of the transaction on the Group’s shareholders’ equity is not material.

#### *Metrovacesa, S.A.*

On December 19, 2012, the creditor entities that participated in a debt restructuring agreement for the Sanahuja Group under which they received shares of Metrovacesa, S.A. as payment for that group’s debt, announced that they reached an agreement to promote the delisting of the shares of Metrovacesa, S.A. and they voted in favour of this at the general meeting held for this purpose on January 29, 2013. Following the approval of the delisting and the public takeover offer at the Metrovacesa, S.A. general meeting, the entities made a delisting public takeover offer of €2.28 per share to the Metrovacesa, S.A. shareholders that had not entered into the agreement. The Group participated in the delisting public takeover offer by acquiring an additional 1.953% of Metrovacesa, S.A. for €44 million.

Following this transaction, at December 31, 2013, the Group held an ownership interest of 36.82% in the share capital of Metrovacesa, S.A.

On December 23, 2014, the Group acquired 19.07% of Metrovacesa, S.A. from Bankia, S.A. for €98.9 million, as a result of which its stake increased to 55.89%, thus obtaining control over this company. After this transaction, Metrovacesa, S.A. is fully consolidated with the Group (until then it was accounted for by the equity method).

For further information see note 3.b. xvi. Metrovacesa, S.A. to our consolidated financial statements.

#### *Invitation to tender American Securities for purchase*

On March 6, 2013, we announced an invitation to all holders of callable subordinated notes series 22 issued by Santander Issuances, S.A. Unipersonal (the American Securities) to tender such Securities for purchase (the American Invitation). The American Securities are listed in the London Stock Exchange. The total principal amount of the American Securities comprising the American Invitation amounts to approximately US\$ 257.5 million.

Banco Santander announced the final aggregate principal amount accepted for purchase on March 14, 2013 (US\$ 26.6 million) and the final purchase prices as a consequence of the tender offers.

The invitation was undertaken as a part of the Group’s active management of liabilities and capital, and focused on core capital generation as well as the optimization of the future interest expense.

#### *Invitation to tender European Securities for purchase*

On March 6, 2013, we announced an invitation to all holders of certain securities issued by Santander Issuances, S.A. Unipersonal and Santander Perpetual, S.A. Unipersonal (the European Securities) to tender such securities for purchase (the European Invitation). The European Securities are subordinated and perpetual bonds listed in the Luxembourg Stock Exchange, corresponding to 15 different series. The total principal amount of the series comprising the Invitation amounts to approximately €6,575 million and GBP 2,243 million.

Banco Santander announced the final aggregate principal amount accepted for purchase on March 14, 2013 (€140.2 million and GBP 178.9 million) and the final purchase prices as a consequence of the European Invitation.

The European Invitation was undertaken as a part of the Group's active management of liabilities and capital, and focused on core capital generation as well as the optimization of future interest expense. The invitation was also designed to provide liquidity in the market and to offer the holders of the European Securities the possibility to exit their investment in the European Securities.

*Santander sells 5.2% of its Polish unit as KBC places its 16.2% in the market*

On March 18, 2013, KBC Bank NV ("KBC") and Banco Santander announced a secondary offering of up to 19,978,913 shares in Bank Zachodni WBK S.A. ("BZ WBK") by way of a fully-marketed follow-on offering (the "WBK Offering"). Through the WBK Offering, KBC would sell 15,125,964 shares (constituting 16.17% of BZ WBK shares outstanding at that date) and Santander was expected to sell not less than 195,216 but up to 4,852,949 shares (constituting between 0.21% and 5.19% of BZ WBK shares outstanding at that date).

KBC and Banco Santander, as selling shareholders, granted the underwriters a reverse greenshoe option in relation to up to 10% of the final Offering size which was not used. KBC and Santander each committed to be locked up for a period of 90 days, and BZ WBK for a period of 180 days, following the closing of the WBK Offering.

The WBK Offering was made to eligible institutional investors and within an indicative price range of PLN240 to PLN270. The final sale price was determined through a book-building process that began on March 18, 2013, and ended on March 21, 2013.

On March 22, 2013, Banco Santander, S.A. and KBC completed the placement of all the shares owned by KBC and 5.2% of the share capital of Bank Zachodni WBK S.A. held by the Group in the market for €285 million, which gave rise to an increase of €292 million in Non-controlling interests.

Following these transactions, we hold 70% of the share capital of Bank Zachodni WBK S.A. and the remaining 30% is held by non-controlling interests.

*Agreement with Warburg Pincus and General Atlantic*

On May 30, 2013, we announced that we had entered into an agreement with subsidiaries of Warburg Pincus and General Atlantic to foster the global development of our asset management unit, Santander Asset Management (SAM). Pursuant to the terms and conditions of the agreement, Warburg Pincus and General Atlantic together own 50% of the holding company which comprises the eleven management companies we have, mainly in Europe and Latin America, while the other 50% are held by us.

The purpose of the alliance is to enable SAM to improve its ability to compete with the large independent international asset management companies, since the businesses to be strengthened include asset management in the global institutional market, with the additional advantage of having knowledge and experience in the markets in which we are present. The agreement also contemplates the distribution of products managed by SAM in the countries in which we have a commercial network for a period of ten years, renewable for five additional two-year periods, for which we will receive commissions at market rates, thus benefiting from broadening the range of products and services we offer our customers. SAM also distributes its products and services internationally, outside our commercial network.

Since the aforementioned asset management companies belonged to different Group companies, a corporate restructuring took place prior to the completion of the transaction whereby each of the asset management companies was sold by its shareholders for its fair value to SAM Investment Holdings Limited (SAM), a holding company created by us. The aggregate value of the asset management companies was approximately €1.7 billion.

Subsequently, in December 2013, once the required authorizations were obtained from various regulators, the agreement was executed through the acquisition of a 50% ownership interest in SAM's share capital by Sherbrooke Acquisition Corp SPC (an investee of Warburg Pincus and General Atlantic) for €449 million. At that date, SAM had financing from third parties for €845 million. The agreement includes deferred contingent amounts payable and receivable for the Group based on the achievement of the business plan targets over the coming five years.

Also, we entered into a shareholders' agreement with Sherbrooke Acquisition Corp SPC shareholders regulating, inter alia, the taking of strategic, financial, operational and other significant decisions regarding the ordinary management of SAM on a joint basis. Certain restrictions on the transferability of the shares were also agreed,

and a commitment was made by the two parties to retain the restrictions for at least 18 months. Lastly, Sherbrooke Acquisition Corp SPC will be entitled to sell to the Group its ownership interest in the share capital of SAM at market value on the fifth and seventh anniversaries of the transaction, unless a public offering of SAM shares has taken place prior to those dates.

Following these transactions, at year-end we held a 50% ownership interest in SAM and controlled this company jointly with the aforementioned shareholders.

As a result of the aforementioned transaction, we recognised a gain of €1,372 million in the consolidated income statement for 2013, of which €671 million related to the fair value of the 50% ownership interest retained by us.

#### *Banco Santander (Brasil) optimised its equity structure*

On September 29, 2013, we announced that our subsidiary Banco Santander (Brasil) S.A. will optimise its equity structure by replacing BRL 6 billion of common equity (Core Tier I) (amount which will be distributed pro rata among its shareholders) with newly-issued instruments of an equivalent amount qualifying as Additional Tier I and Tier II capital, and which will be offered to Banco Santander (Brasil) S.A.'s shareholders.

In January 2014 we subscribed a percentage of the newly issued instruments in proportion to our shareholding in Banco Santander (Brasil) S.A. (approximately 75%), as well as those not subscribed by the other shareholders of Banco Santander (Brasil) S.A.

The new structure improves Banco Santander (Brasil) S.A.'s regulatory capital composition, by increasing the return on equity (ROE) while maintaining the total amount of regulatory capital and capital ratios (BIS II ratio of approximately 21.5% and fully loaded BIS III ratio of approximately 18.9%) above the other retail banks in Brazil.

#### *Cooperation agreement and purchase of 7.2% stake in Bank of Shanghai*

On May 12, 2014, after obtaining approval from the China Banking Regulatory Commission to the cooperation agreement reached with Bank of Shanghai ("BoS") to buy an equity stake in BoS announced on December 10, 2013, we acquired a 7.2% equity stake in BoS from HSBC Ltd -such equity stake represented 8% of the share capital of BoS on the date when the agreement was announced, but after a private placement of shares carried out by BoS completed in February 2014, it represents 7.2%-.

This transaction has made Santander the second-largest shareholder in BoS and its strategic international partner. The cost of the investment, including the purchase of HSBC Ltd.'s stake and the cooperation agreement with Bank of Shanghai, was estimated at approximately €470 million. The transaction has had an impact of approximately 1 basis point on the Santander Group's capital.

Under the terms of the agreement, Santander is providing BoS with a permanent team of professionals, who are contributing Santander's knowledge and experience in risk management, commercial, wholesale and retail banking, and are working together with BOS together to find joint business opportunities.

#### *Transfer of interest in Banco Santander (Brasil), S.A.*

In January and March 2012 the Group transferred shares representing 4.41% and 0.77%, respectively, of the capital stock of Banco Santander (Brasil), S.A. to two leading international financial institutions. These institutions undertook to deliver these shares to the holders of bonds issued by Banco Santander in October 2010 which were exchangeable for Banco Santander (Brasil), S.A. shares upon maturity, in accordance with their terms.

#### *Merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A.*

On February 28, 2012, the Group announced that Banco Santander, S.A. and KBC Bank NV (KBC) had entered into an investment agreement to merge their two subsidiaries in Poland, Bank Zachodni WBK S.A. and Kredyt Bank S.A., respectively, following which the Group would control approximately 76.5% of the entity resulting from the merger and KBC 16.4%, with the remaining 7.1% being owned by non-controlling interests. Also, the Group undertook to place a portion of its ownership interest among investors and to acquire up to 5% of the

entity resulting from the merger in order to help KBC to reduce its holding in the merged entity to below 10%. KBC's objective is to dispose of its entire investment in order to maximise its value.

The transaction was carried out through a capital increase at Bank Zachodni WBK S.A., whose new shares would be offered to KBC and the other shareholders of Kredyt Bank S.A. in exchange for their shares in Kredyt Bank S.A. The related exchange ratio was established at 6.96 shares of Bank Zachodni S.A. for every 100 shares of Kredyt Bank S.A.

In early 2013, following the approval from the Polish financial regulator (KNF), the aforementioned transaction was consummated. As a result, the Group controlled approximately 75.2% of the post-merger entity and KBC controlled approximately 16.2%, with the remaining 8.6% being owned by non-controlling holders. This transaction gave rise to an increase of €1,037 million in non-controlling interests – €169 million as a result of the acquisition of control of Kredyt Bank S.A. and €868 million as a result of the reduction in the percentage of ownership of Bank Zachodni WBK S.A.

On March 22 2013, Banco Santander, S.A. and KBC completed the placement of all the shares owned by KBC and 5.2% of the share capital of Bank Zachodni WBK S.A. held by the Group in the market for €285 million, which gave rise to an increase of €292 million in non-controlling interests.

Following these transactions, the Group held 70% of the share capital of Bank Zachodni WBK S.A. and the remaining 30% was held by non-controlling holders.

#### *Valores Santander*

On March 30, 2012, we informed that the Ordinary General Shareholders' Meeting held that day had resolved to grant the holders of *Valores Santander* an option to convert their securities on four occasions before October 4, 2012, the mandatory conversion date for the outstanding *Valores Santander*. As a result on June 7, 2012, July 5, 2012, August 7, 2012 and September 6, 2012 we issued 73,927,779, 193,095,393, 37,833,193 and 14,333,873 new shares related to the conversion requests of 195,923, 511,769, 98,092 and 37,160 *Valores Santander*, respectively.

In October 2007, a total of 1,400,000 *Valores Santander* were issued. On October 2008, 2009, 2010 and 2011, and on June, July, August and September 2012 a total to 880,700 *Valores Santander* were voluntarily converted. On October 4, 2012, the mandatory conversion of the remaining 519,300 *Valores Santander* took place, representing 37.1% of the original issuance.

#### *Invitation to tender certain securitization bonds for cash*

On April 16, 2012, we announced an invitation to all holders of certain securities (the Securities) to tender such Securities for purchase by Banco Santander for cash (the Invitation). The Securities are fixed rate securities (securitization bonds) listed on the AIAF Fixed Rate Market which correspond to 33 different series issued by specific securitization funds managed by Santander de Titulización, S.G.F.T., S.A. series with an aggregate outstanding principal amount of €6 billion.

The rationale for the Invitation was to effectively manage the Group's outstanding liabilities and to strengthen our balance sheet. The Invitation was also designed to provide liquidity to Security holders.

On April 25, 2012 we announced the aggregate outstanding principal amount of each of the Securities accepted for purchase, which for senior securities amounted to €388,537,762.18 and for mezzanine securities €61,703,163.58.

#### *Sale of our Colombian unit to the Chilean group Corpbanca*

In December 2011, we entered into an agreement with the Chilean group Corpbanca to sell our shareholding in Banco Santander Colombia S.A. and our other business subsidiaries in this country (Santander Investment Valores Colombia S.A., Comisionista de Bolsa Comercial, Santander Investment Colombia S.A., Santander Investment Trust Colombia S.A., Sociedad Fiduciaria y Agencia de Seguros Santander, Ltda.).



Following receipt of the regulatory authorizations from the competent authorities and the delisting of the shares of Banco Santander Colombia S.A., in the second quarter of 2012 we sold our shareholding in Banco Santander Colombia S.A. and our other business subsidiaries in Colombia to the Corpbanca Group for a total of \$1,229 million (€983 million), giving rise to a gain of €619 million, which was recognised under Gains/(losses) on disposal of assets not classified as non-current assets held for sale in our 2012 consolidated income statement.

#### *Agreement with Abbey Life Assurance*

On July 19, 2012, we reached an agreement with Abbey Life Assurance Ltd, a subsidiary of Deutsche Bank AG, under which Abbey Life Assurance Ltd reinsured 100% of the individual life risk portfolio of the insurance companies of Banco Santander in Spain and Portugal.

This reinsurance transaction enabled us to monetise our life risk insurance portfolio. This transaction gave rise to income of €435 million recognised under Other operating income - Income from insurance and reinsurance contracts issued in the consolidated income statement (€308 million net of tax).

The policies ceded to Abbey Life Assurance Ltd consist of the portfolio as of June 30, 2012. This reinsurance agreement does not involve any changes for our customers as services will continue to be provided by Santander's insurance companies. Our branches in Spain and Portugal will continue to offer products designed by our insurance companies as the agreement reached with Abbey Life Assurance Ltd does not involve any commitment on future distribution and is limited to the portfolio existing at June 30, 2012.

#### *Placement of shares of Grupo Financiero Santander, S.A.B. de C.V. on the secondary market*

On August 16, 2012, we announced our intention to register with both the Mexican *Comisión Nacional de Banca y Valores* (National Commission of Banking and Securities) and the U.S. Securities & Exchange Commission the registration statements for the placement of shares of Grupo Financiero Santander, S.A.B. de C.V. on the secondary market. The selling institutions would be Banco Santander, S.A. and its subsidiary Santusa Holding, S.L.

On September 26, 2012, we announced that the price of the offering of shares of Grupo Financiero Santander Mexico was set at 31.25 Mexican pesos (\$2.437) per share, valuing Santander Mexico at €12,730 million (\$16,538 million), making it the 82<sup>nd</sup> largest bank in the world by market capitalization at that time.

The total volume of the offering represented 24.9% of the share capital of Santander Mexico after the exercise of the green shoe option. The value of the transaction was €3,178 million, making it the largest equity offering in Latin America in 2012 and one of the largest in the world.

The gains obtained by Banco Santander in this transaction were fully allocated to reserves, in line with accounting requirements, as Banco Santander will continue to maintain control over its Mexican subsidiary.

Of the total shares sold, 81% were placed in the United States and elsewhere outside Mexico and 19% in Mexico. The American Depositary Shares of Santander Mexico commenced trading on the New York Stock Exchange on September 26, 2012. The shares of Santander Mexico continue to trade on the Mexican Stock Exchange.

The IPO of our unit in Mexico was an important step in our strategy of having market listings for all of our significant subsidiaries.

#### *Invitation to tender offer*

On August 22, 2012, the Bank and Santander Financial Exchanges Limited invited the holders of 21 series of subordinated debt and preferred securities to sell those securities. The aggregate principal amount of the securities traded in euros and sterling amounted to €7,201 million and £3,373 million, respectively.

The rationale for the invitation was to effectively manage the Group's outstanding liabilities and to strengthen our balance sheet. The invitation was also designed to provide liquidity to security holders.

On August 31, 2012, we and Santander Financial Exchanges Limited announced that the holders had agreed to sell an aggregate principal amount of €755 million for the securities traded in euros and £311 million for the securities traded in sterling.

*Termination of the agreement to purchase Royal Bank of Scotland branch offices*

On October 15, 2012, we announced that the agreement for the sale by The Royal Bank of Scotland (“RBS”) to Santander UK of approximately 300 branches of RBS in England and Wales and NatWest in Scotland (the “Business”) would not be completed due to the foreseeable failure to meet the conditions precedent by the agreed final deadline of February 2013.

*Santander and Elavon agreement*

On October 19, 2012, we announced that we had reached an agreement with Elavon Financial Services Limited (“Elavon”) to jointly operate a payment services business for credit and debit cards through merchants’ point of sale terminals in Spain.

The transaction involves the incorporation of a joint venture company whose share capital will be held 51% by Elavon and 49% by the Bank, and to which Santander Group will transfer its aforementioned payment services business in Spain (excluding that of Banesto).

The transaction was completed in the first half of 2013 and generated a gain of €122 million (€85 million net of tax).

*Mergers by absorption of Banesto and Banco Banif*

On December 17, 2012, we announced that we had resolved to approve the plan for the merger by absorption of Banesto and Banco Banif, S.A. as part of the restructuring of the Spanish financial sector. These transactions are part of a commercial integration which brought Banesto and Banif under the Santander brand.

At their respective board of directors meetings held on January 9, 2013, the directors of the Bank and Banesto approved the common draft terms of the merger by absorption of Banesto into the Bank with the dissolution without liquidation of the former and the transfer *en bloc* of all its assets and liabilities to the Bank, which were acquired, by universal succession, the rights and obligations of the absorbed entity. As a result of the merger, the shareholders of Banesto, other than the Bank, received in exchange shares of the Bank.

January 1, 2013 was established as the date from which the transactions of Banesto shall be considered to have been performed for accounting purposes for the account of the Bank.

On March 22, 2013 and March 21, 2013, the general shareholders meetings of the Bank and Banesto, respectively, approved the terms of the merger.

On April 29, 2013, pursuant to the provisions of the terms of the merger and to the resolutions of the general shareholders’ meetings of both companies, the regime and procedure for the exchange of Banesto shares for shares of Banco Santander was made public. Banco Santander covered the exchange of Banesto shares with shares held as treasury stock based on the exchange ratio of 0.633 shares of Banco Santander, each with a nominal value of €0.50, for each share of Banesto, each with a nominal value of €0.79, without provision for any supplemental cash remuneration.

On May 3, 2013, the merger was registered with the Commercial Registry of Cantabria and the dissolution of Banesto was completed.

The directors of Banco Banif, S.A., at its board of directors meeting held on January 28, 2013, and the directors of Banco Santander, S.A., at its board of directors meeting held on that same day, approved the common drafts terms of the merger by absorption of Banco Banif, S.A. into Banco Santander, S.A. with the dissolution without liquidation of the former and the transfer *en bloc* of all its assets and liabilities to Banco Santander, S.A., which acquired, by universal succession, the rights and obligations of the absorbed entity.

January 1, 2013 was established as the date from which the transactions of Banif were considered to have been performed for accounting purposes for the account of the Bank.

On May 7, 2013, the merger was registered with the Commercial Registry of Cantabria and the dissolution of Banco Banif, S.A. was completed.

#### *Insurance business in Spain*

On December 20, 2012, we announced that we had reached an agreement with Aegon. In this regard, we created two insurance companies, one for life insurance and the other for general insurance, in which Aegon would acquire ownership interests of 51%, and management responsibility would be shared by Aegon and the Group. We would hold 49% of the share capital of the companies and we would enter into a distribution agreement for the sale of insurance products in Spain through the commercial networks for a period of 25 years. The agreement would not affect savings, health and vehicle insurance, which would continue to be owned and managed by Santander.

In June 2013, after obtaining the relevant authorizations from the Directorate-General of Insurance and Pension Funds and from the European competition authorities, Aegon acquired a 51% ownership interest in the two insurance companies created by the Group for these purposes, one for life insurance and the other for general insurance (currently Aegon Santander Vida Seguros y Reaseguros, S.A. and Aegon Santander Generales Seguros y Reaseguros, S.A.), for which it paid €220 million, thereby gaining joint control together with the Group over the aforementioned companies. The agreement also includes payments to Aegon that are deferred over two years and amounts receivable for the Group that are deferred over five years, depending on the business plan.

The aforementioned agreement includes the execution of a distribution agreement for the sale of insurance products in Spain for 25 years through commercial networks, for which the Group will receive commissions at market rates.

This transaction gave rise to a gain of €385 million recognised under Gains (losses) on disposal of assets not classified as non-current assets held for sale (€270 million net of tax), of which €186 million related to the fair value recognition of the 49% ownership interest retained by the Group.

#### **Capital Increases**

As of December 31, 2012, our capital had increased by 1,412,136,547 shares, or 15.85% of our total capital as of December 31, 2011, to 10,321,179,750 shares as a result of the following transactions:

- *Valores Santander*: On March 30, 2012, we informed that the Ordinary General Shareholders' Meeting held that day had resolved to grant the holders of *Valores Santander* an option to convert their securities on four occasions before October 4, 2012, the mandatory conversion date for the outstanding *Valores Santander*. As a result on June 7, 2012, July 5, 2012, August 7, 2012, September 6, 2012 and October 9, 2012 we issued 73,927,779, 193,095,393, 37,833,193, 14,333,873 and 200,311,513 new shares related to the conversion requests of 195,923, 511,769, 98,092, 37,160 and 519,300 *Valores Santander*, respectively.
- *Scrip Dividend*: On January 31, 2012, May 2, 2012, July 31, 2012 and November 2, 2012, we issued 167,810,197 shares, 284,326,000 shares, 218,391,102 shares and 222,107,497 shares, giving rise to capital increases of €83,905,098.50, €142,163,000, €109,195,551 and €111,053,748.50, respectively.

As of December 31, 2013, our capital had increased by 1,012,240,738 shares, or 9.81% of our total capital as of December 31, 2012, to 11,333,420,488 shares as a result of the following transactions:

- *Scrip Dividend*: On January 30, 2013, April 30, 2013, July 31, 2013 and October 31, 2013, we issued 217,503,395 shares, 270,917,436 shares, 282,509,392 shares and 241,310,515 shares, giving rise to capital increases of €108,751,697.50, €135,458,718, €141,254,696 and €120,655,257.50, respectively.

As of December 31, 2014, our capital had increased by 1,250,994,171 shares, or 11.04% of our total capital as of December 31, 2013, to 12,584,414,659 shares as a result of the following transactions:

- *Scrip Dividend*: On January 30, 2014, April 29, 2014, July 30, 2014 and November 5, 2014, we issued 227,646,659 shares, 217,013,477 shares, 210,010,506 shares and 225,386,463 shares (2.01%, 1.92%,

1.85%, and 1.99% of the share capital, respectively), giving rise to capital increases of €113,823,329.50, €108,506,738.50, €105,005,253 and €112,693,231.50, respectively.

- *Acquisition of non-controlling interests in Banco Santander (Brasil) S.A.:* On November 4, 2014 we issued 370,937,066 shares (3.27% of the share capital) giving rise to a capital increase of €185,468,533.

## **Other Material Events**

### *Asset quality review*

On October 26, 2014, regarding the asset quality review (AQR) carried out by the European Central Bank and the European Banking Authority, we announced:

- That such review, carried out with reference to December 2013, affected 16 portfolios in 7 countries, accounting for more than 50% of our risk assets.
- That the impact of the analysis on CET1 was not material (decrease of 4 basis points). The non-performing loan ratio of the reviewed portfolios increased 0.14 percentage points post-AQR, which showed that coverage was appropriate and that risks were correctly classified.

Furthermore, with respect to the stress test applied to all countries where we operate and which covered a three-year period (2014 – 2016) with two scenarios (base and adverse), the results were as follows:

- In the base scenario, we increase our capital ratio (CET1) as of December 31, 2016 by 1.6 percentage points to 12%.
- In the adverse scenario, the CET1 ratio dropped 1.4 percentage points, to 9%. That ratio was 3.5 percentage points above the required minimum, meaning that in this scenario, we would exceed the required capital amount by close to €20 billion.

## **Recent Events**

### *Scrip dividends*

At its meeting of January 12, 2015, the Bank's executive committee resolved to apply the Santander Dividendo Elección scrip dividend scheme on the dates on which the third interim dividend is traditionally paid, whereby the shareholders were offered the option of receiving an amount equivalent to said dividend, the gross amount of which was €0.146 per share, in shares or cash.

On January 29, 2015 we announced that the holders of 83.73% of the free allotment rights chose to receive new shares. Thus, the definitive number of ordinary shares of €0.5 of face value issued in the free-of-charge capital increase is 262,578,993, corresponding to 1.90% of the share capital, and the amount of the capital increase is €131,289,496.50. The value of the remuneration corresponding to the holders of free allotment rights who requested new shares amounts to €1,686,807,451.03. The shareholders holding the remaining 16.27% of the free allotment rights have accepted the irrevocable undertaking to acquire free allotment rights assumed by Banco Santander. Consequently, Banco Santander has acquired 2,244,531,167 rights for a total gross consideration of €327,701,550.38. Banco Santander has waived the free allotment rights so acquired.

On April 10, 2015 we announced the information in connection with the flexible remuneration programme Santander *Dividendo Elección* (scrip dividend scheme) to be applied to the final 2014 dividend. The shareholders were offered the option of receiving an amount equivalent to said dividend, the gross amount of which was €0.151 per share, in shares or cash.

### *Capital increase*

On January 8, 2015, an extraordinary meeting of the board of directors took place to:

- (i) Approve a capital increase with the exclusion of pre-emption rights for an amount of up to €7,500 million, which represents approximately 9.6% of the share capital of Banco Santander before the capital increase. The transaction was implemented through an accelerated book-building. The objective of this transaction was to accelerate our plans to grow organically allowing us to increase both customer credit and market share in our core geographies, and to take advantage of our business model. Our capital was increased for a nominal amount of €606,796,117 through the issuance of 1,213,592,234 ordinary shares of Banco Santander with a nominal value of 0.50 each. The price for the new shares was fixed at €6.18 per share. Consequently, the total amount of the capital increase was of €7,500,000,006.12 euros (€606,796,117 nominal amount and €6,893,203,889.12 share premium). The new shares were admitted to trade in the Spanish markets on January 12, 2015.
- (ii) Reformulate the dividend policy of Banco Santander to take effect with the first dividend to be paid with respect to our 2015 results, in order to distribute 3 cash dividends and a scrip dividend relating to such 2015 results. Each of these dividends will have an estimated amount of 5 euro cents.

#### *Merger of Santander Asset Management and Pioneer Investments*

On April 23, 2015, we announced that we had reached a preliminary and exclusive agreement with our partners Warburg Pincus and General Atlantic, subject to the signing of final terms, to merge Santander Asset Management and Pioneer Investments to create a leading global asset manager in Europe and Latin America. The combined company, with approximately €353 billion in assets under management at the close of 2014, will be called Pioneer Investments.

The agreement contemplates the creation of a new company into which the local asset managers of Santander Asset Management and Pioneer Investments will be incorporated. Santander will have a direct 33.3% stake in the new company, UniCredit will have a 33.3% stake, and private equity fund managers Warburg Pincus and General Atlantic will share a 33.3% stake. Pioneer Investments' operations in the United States will not be included in the new company but will be owned by UniCredit (50%) and Warburg Pincus and General Atlantic (50%).

The transaction values Santander Asset Management at €2.6 billion and Pioneer Investments at €2.75 billion. Warburg Pincus and General Atlantic will make an additional equity investment into the company as part of the transaction. This transaction will not have any material impact on our capital. Following the signing of the preliminary agreement, the parties will work towards signing a definitive binding agreement which will be subject to the customary regulatory and corporate approvals.

## **5.2 Investments**

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

Not applicable.

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

At the date of this Base Prospectus the Group does not have any other firm investment commitments.

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

Not applicable.

## 6. BUSINESS OVERVIEW

### 6.1 *Principal activities.*

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

##### **Business Overview**

At December 31, 2014, we had a market capitalization of €88.0 billion, stockholders' equity of €80.8 billion and total assets of €1,266.3 billion. We had an additional €161.8 billion in managed and marketed customer funds at that date. As of December 31, 2014, we had 56,245 employees and 5,482 branch offices in Continental Europe, 25,599 employees and 929 branches in the United Kingdom, 85,009 employees and 5,729 branches in Latin America, 15,919 employees and 811 branches in the United States and 2,633 employees in Corporate Activities (for a full breakdown of employees by country, see "Item 6. Directors, Senior Management and Employees—D. Employees" herein).

We are a financial group operating principally in Spain, the United Kingdom, other European countries, Brazil and other Latin American countries and the United States, offering a wide range of financial products.

In Latin America, we have majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

Grupo Santander maintains the general criteria used in our 2013 Form 20-F, with the following exceptions:

##### 1) In the Group's financial statements

- The Group has applied IFRIC 21, Levies, which addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. The adoption of IFRIC 21 gave rise to a change in the recognition of the contributions made by Santander UK to the Financial Services Compensation Scheme and of the contributions made by the Group's Spanish financial institutions to the Deposit Guarantee Fund. Pursuant to the applicable standard, this change was applied retrospectively, giving rise to changes in the balances for 2013 (negative impacts of €195 million on attributable profit and of €65 million on the Group's reserves) and 2012 (negative impacts of €12 million on attributable profit and of €53 million on the Group's reserves).
- Some corporate transactions recently carried out by the Group involved changes in the consolidation method. Taking control of SCUSA in 2014 led to the full consolidation of SCUSA, which was previously accounted for by the equity method. Conversely, the sale of a controlling stake in asset management companies at the end of 2013 requires us to consolidate them by the equity method instead of by full consolidation.

##### 2) In businesses

- The United States area includes Santander Bank, Santander Consumer USA, which is now consolidated through full consolidation, and Puerto Rico, which was previously included in Latin America.
- The Santander Asset Management units that were sold are consolidated by the equity method in the various countries in which we operate.

##### 3) Other adjustments

- The annual adjustment was made of the perimeter of the Global Customer Relationship Model between Retail Banking and Global Banking and Markets. This change has no impact on the geographic segments.
- The Asset Management and Insurance area is now called Private Banking, Asset Management and Insurance. As compared to the figures published in 2013, the domestic private banking units of Spain, Portugal, Italy, Brazil, Mexico and Chile are included in this new business segment (with management shared with local banks), as well as Santander Private Banking in Latin America (previously included under the Retail Banking segment).

The financial statements of each business area have been drawn up by aggregating the Group's basic operating units. The information relates to both the accounting data of the companies in each area as well as that provided by the management information systems. In all cases, the same general principles as those used in the Group are applied.

In accordance with the criteria established by IFRS-IASB, the structure of our operating business areas has been segmented into two levels:

*First (or geographic) level.* The activity of our operating units is segmented by geographical areas. This coincides with our first level of management and reflects our positioning in the world's main currency areas.

The reported segments are:

- Continental Europe. This covers all retail banking business, wholesale banking and private banking and asset management and insurance in this region. This segment includes the following units: Spain, Portugal, Poland, Santander Consumer Finance (which includes the consumer business in Europe, including that of Spain, Portugal and Poland) and Spain's run-off real estate.
- United Kingdom. This includes retail and wholesale banking, private banking and asset management and insurance conducted by the various units and branches of the Group in the country.
- Latin America. This embraces all the Group's financial activities conducted via its subsidiary banks and subsidiaries. It also includes the specialised units of Santander Private Banking, as an independent and globally managed unit, and the Bank's New York branch's business.
- United States. Includes the businesses of Santander Bank, Santander Consumer USA and Puerto Rico.

*Second (or business) level.* This segments the activity of our operating units by type of business. The reported segments are:

- Retail Banking. This area covers all customer banking businesses (except those of private banking and Corporate Banking, managed through the Global Customer Relationship Model). Also included in this business area are the results of the hedging positions taken in each country within the scope of the relevant ALCO portfolio.
- Global Wholesale Banking. This business reflects the revenues from global corporate banking, investment banking and markets worldwide including all treasuries managed globally, both trading and distribution to customers (after the appropriate distribution with Retail Banking customers), as well as equities business.
- Private Banking, Asset Management and Insurance. This includes the contribution to the Group for the design and management of mutual and pension funds and insurance, conducted in some cases via wholly-owned subsidiaries and in others via subsidiaries in which the Group participates through joint ventures with specialists. In both cases, the subsidiaries pay fees to the distribution networks used to place these products (basically the Group's, though not exclusively) via agreements. This means that the result recorded in this segment is net for each of the subsidiaries included, in accordance with their participation and consolidation method, (i.e. deducting the distribution cost of sharing agreements from gross income). It also includes private banking business as defined above.
- Spain's run-off real estate. This unit includes loans to customers in Spain whose activity is mainly real estate development, equity stakes in real estate companies and foreclosed assets.

In addition to these operating units, which cover everything by geographic area and business, we continue to maintain a separate Corporate Activities area. This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position and of the Parent bank's structural interest rate risk, as well as management of liquidity and of stockholders' equity through issues and securitizations. As the Group's holding entity, the Corporate Activities area manages all capital and reserves and allocations of capital and liquidity. It also incorporates the goodwill's impairment but not the costs related to the Group's central services except for corporate and institutional expenses related to the Group's functioning.

For purposes of our financial statements and this annual report on Form 20-F, we have calculated the results of operations of the various units of the Group listed below using these criteria. As a result, the data set forth herein may not coincide with the data published independently by each unit individually.

*First level (or geographic):*

#### **Continental Europe**

Continental Europe includes all activities carried out in this region: retail banking, global wholesale banking, private banking, asset management and insurance, as well as Spain's run-off real estate. During 2014, there were four main units within this area: Spain, Portugal, Poland and Santander Consumer Finance.

Continental Europe is the largest business area of Grupo Santander by assets. At the end of 2014, it accounted for 36% of managed and marketed customer funds, 37% of total loans to customers and 27% of profit attributed to the Parent bank's total operating areas.

The area had 5,482 branches and 56,245 employees (direct and assigned) of which 3,476 were temporary employees, at the end of 2014.

In 2014, this segment obtained attributable profit of €2,079 million, an increase of €952 million or 84% mainly due to improved net interest margin (which increased by €605 million) and to the decrease in impairment losses on financial assets (which decreased by €806 million). Return on equity ("ROE") stood at 8.1%.

### *Spain*

We have a solid retail presence in Spain (3,511 branches, 4,986 ATMs and 12.6 million customers), which is reinforced with global businesses in key products and segments (wholesale banking, private banking, asset management, insurance and cards).

In order to consolidate the Group's leadership in Spain and increase profitability and efficiency, Santander merged its two large retail networks (Santander and Banesto) and its private bank (Banif) in 2013. See "—A. History and development of the company—Principal Capital Expenditures and Divestitures—Acquisitions, Dispositions, Reorganizations".

The integration was completed in July 2014, ahead of schedule. All private banking clients were incorporated to Banif's specialised customer attention model. We took advantage of the integration to optimise segmentation and specialization of branches, with a particular emphasis on private banking, Select and company banking, and increasing coverage in specialised portfolios to almost 100%.

At the end of 2014, we had 3,511 branches and a total of 24,979 employees (direct and assigned), all of which were hired on a full time basis.

In 2014 Spain showed sound recovery of economic growth which, combined with the improvement in financial condition (10 year risk premium of 107 basis points at year end), boosted retail banking flows of credit to both households and SMEs. However, the balance of loans to businesses and households declined once again, due to the deleveraging in some sectors and the increasing number of debt issuances by large companies. Deposits were down slightly in response to the decrease in term in an environment of low interest rates that benefited investment funds.

In 2014, profit attributable to the Parent bank in Spain was €1,121 million, a €655 million or 141% increase as compared to 2013, while the ROE was 9.9% (as compared to 3.9% in 2013). The main factors contributing to the growth were: (i) a €411 million increase in net interest income, reflecting the lower cost of deposits, (ii) a €326 million decrease in net gains on financial assets and liabilities, due to lower income from wholesale banking, (iii) a €252 million drop in operating expenses, due to synergies from the merger and optimization plans, and (iv) a €666 million decrease in impairment losses on financial assets, due to lower net entries in non-performing loan balances as credit quality improves.

In 2014, Spain's lending decreased by 2%, managed and marketed customer funds increased by 2% with deposits decreasing by 2%, marketable debt securities diminishing by 82% and mutual and pension funds growing by 22%. The increase in mutual and pension funds of €9,629 million due to the greater demand for these products and the improved performance of the markets, with the accompanying increase in share prices, was offset in part by the decrease in marketable debt securities of €3,248 million.

The non-performing loans ("NPL") ratio was 7.38%, an 11 basis point decrease as compared to 2013. The coverage ratio remained at 45%.

### *Portugal*



Our main Portuguese retail and investment banking operations are conducted by Banco Santander Totta, S.A. (“Santander Totta”).

At the end of 2014, Portugal had 594 branches and 5,410 employees (direct and assigned), of which 42 employees were temporary.

In 2014, profit attributable to the Parent bank was €189 million, a €75 million or 65% increase from 2013. The main drivers for the increase were the growth in net interest income (€32 million as a result of the lower funding costs), a €37 million increase in net gains on financial assets and liabilities (greater gains in portfolio management) which offset the €38 million drop in net fees and commissions (affected by both the lower business volume and regulatory changes), and a €69 million decrease in impairment losses on financial assets (benefiting from the decrease in net non-performing loans entries over the past 12 months).

In 2014, the strategy of the Group in Portugal remained closely focused on raising levels of profitability and market share in the various segments. At the same time, management of net interest income and non-performing loans continued to be critical strategic priorities. On the liability side, a cost reduction strategy was combined with a notable increase in liabilities, as a result of harnessing market opportunities and a flight-to-quality effect in order to grow. On the asset side, greater emphasis was placed on the business segment.

Lending continued to decline with a decrease of 5% for 2014 due to the deleveraging environment. At the end of 2014, managed and marketed customer funds increased by 3% with a 1% decrease in deposits, a 23% increase in marketable debt securities, and a 15% increase in mutual and pension funds.

The year 2014 ended with an NPL ratio of 8.89%, as compared to 8.12% at the end of 2013. The coverage ratio stood at 52% compared to 50% in December 2013. The ROE increased 232 basis points to 8.1%.

### ***Poland***

In February 2012, Banco Santander, S.A. and KBC Bank NV (KBC) reached an investment agreement for the merger of their subsidiaries in Poland, BZ WBK S.A. and Kredyt Bank S.A., which was put into effect in early 2013, after the necessary approval was received from the Polish financial supervisor (KNF). For further details see “Item 4. Information on the Company—A. History and development of the company—Principal Capital Expenditures and Divestitures—Acquisitions, Dispositions, Reorganizations— *Merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A.*”

In the second half of 2014 the merger of BZ WBK and Kredyt Bank was completed.

Santander is the third largest bank in Poland in terms of loans and deposits (market share of 8.9% and 9.5%, respectively, including the business of Santander Consumer Finance in the country). Excluding that business, the market shares are 7.5% in loans and 8.3% in deposits. The unit in Poland had 788 branches, 115 agencies and 11,971 employees (direct and assigned), of which 1,306 employees were temporary, at the end of 2014.

In 2014, attributable profit was €358 million, €24 million or 7% higher than 2013. Income benefited from the increase in total income of €58 million and a decrease in operating expenses of €11 million. Attributable profit was affected by higher taxes (€28 million) and minority interests (€16 million).

Customer loans increased 5%, managed and marketed customer funds increased 7% with a 9% increase in deposits. The NPL ratio decreased 42 basis points to 7.42% and the coverage ratio decreased 2 percentage points to 60%. The ROE stood at 16.2% compared to 15.9% in 2013.

### ***Santander Consumer Finance***

Our consumer financing activities are conducted through our subsidiary Santander Consumer Finance (SCF) and its group of companies. Most of the activity of SCF relates to auto financing, personal loans, credit cards, insurance and customer deposits. These consumer financing activities are mainly focused on Germany, Spain, Italy, Norway, Poland, Finland and Sweden. SCF also conducts business in Portugal, Austria and the Netherlands, among others.

The following agreements were entered into in 2014 and strengthen SCF's position in its markets: (i) the agreement with Banque PSA Finance (PSA Peugeot Citroën Group), (ii) the acquisition in Spain of 51% of Financiera El Corte Inglés, and (iii) the acquisition of GE Nordics (GE Money's business in Norway, Sweden and Denmark). See "—A. History and development of the company—Principal Capital Expenditures and Divestitures—Acquisitions, Dispositions, Reorganizations".

At the end of 2014, this unit had 579 branches and 13,046 employees (direct and assigned), of which 1,240 employees were temporary.

In 2014, this unit generated €891 million in profit attributable to the Parent bank, a €97 million or 12% increase compared with 2013. The effective management of asset spreads and the reduction in the cost of deposits absorbed the decrease in interest rates, leading to a €126 million increase in net interest income. Fees and commissions were up by €49 million compared to 2013. Operating expenses rose by €61 million, almost entirely due to the addition of new units in Spain and the Nordic countries (without the impact of changes in the scope of consolidation, operating expenses were down 0.5%). Impairment losses on financial assets were down by €21 million, taking the cost of lending to all-time lows (under 1%), and reflecting a high credit quality for the business.

Customer loans increased by 8%, and managed and marketed customer funds increased by 13%, mainly due to a 51% increase in marketable debt securities. The NPL ratio increased 81 basis points to 4.82% while the coverage decreased to 100% from 105% in 2013, impacted by the entry of GE Nordics. Without taking into account the impact of GE Nordics, the NPL ratio and coverage ratio would have been 3.86% and 106%, respectively.

#### ***Spain run-off real-estate***

This segment focuses on: (i) managing real estate clients with whom the Group holds potentially problematic exposures in order to reduce their exposure, and (ii) property and land management, which includes the sale of existing properties and, in certain cases, real estate development and subsequent marketing and sale. This segment also includes our investments in the Spanish Bank Restructuring Asset Management Company, or SAREB, see note 8.b.ii to our consolidated financial statements. As of the end of 2014, the stake in Metrocavesa was consolidated by global integration. See "—A. History and development of the company—Principal Capital Expenditures and Divestitures—Acquisitions, Dispositions, Reorganizations— *Metrovacesa, S.A.*" in our 2014 Form 20-F.

At the end of 2014, this segment had 490 employees.

The Group's strategy in recent years has been directed at reducing exposure to these assets, which at year end totaled €8,114 million net and were down by €2,667 million or 25% year on year.

In 2014, this segment had €583 million of losses attributable to the Parent bank, representing €52 million decrease in losses compared to 2013, resulting from the decrease in interest income, a fall in impairment losses and lower write-downs recorded in 2014.

#### **United Kingdom**

As of December 31, 2014, the United Kingdom accounted for 31% of the total managed and marketed customer funds of the Group's operating areas. Furthermore, it accounted for 34% of total loans to customers and 21% of profit attributed to the Parent bank's total operating areas.

Santander UK is focused on the United Kingdom. Around 79% of customer loans are prime mortgages for homes in the U.K. The portfolio of mortgages is of high quality, with no exposure to self-certified or subprime mortgages while buy to let loans represent around 2% of customer loans. As of December 31, 2014, the loan to deposit ratio was 124%, one percentage point higher than at December 31, 2013.

Santander UK's strategy continued to be centered on three priorities: increasing customer loyalty and satisfaction, being the "bank of choice" for U.K. businesses, and maintaining balance sheet profitability and strength.

At the end of 2014, we had 929 branches and a total of 25,599 employees (direct and assigned), of which 441 employees were temporary, in the United Kingdom.

In 2014, Santander UK contributed €1,576 million profit attributable to the Parent bank, a €427 million or 37% increase from 2013. The ROE was 11.2% (as compared to 8.9% in 2013). The main developments were: (i) a €783 million increase in net interest income due to the reduced cost of retail deposits, (ii) a €421 million increase in operating expenses due to investments in the retail banking and business segments, which were partially offset by the efficiency plans being implemented, and (iii) a €248 million decrease in impairment losses on financial assets mainly due to improved credit quality throughout the range of products we offer and the improved economic environment.

As of December 31, 2014, loans and advances to customers increased by 9%, or 2% excluding the exchange rate impact, and managed and marketed customer funds increased 8%, or 0.4% excluding the exchange rate impact, with a 8% growth in deposits, or 1% excluding the exchange rate impact, and a 9% growth, or 1% excluding the exchange rate impact in marketable debt securities. The NPL ratio decreased 19 basis points to 1.79% and the coverage ratio stood at 42%.

### **Latin America**

At December 31, 2014, we had 5,729 branches and 85,009 employees (direct and assigned) in Latin America, of which 3,242 were temporary employees. At that date, Latin America accounted for 26% of the total managed and marketed customer funds, 20% of total loans to customers and 41% of profit attributed to the Parent bank's total operating areas.

Our Latin American banking business is principally conducted by the following banking subsidiaries:

	<b>Percentage held at December 31, 2014</b>		<b>Percentage held at December 31, 2014</b>
Banco Santander (Brasil), S.A.	89.02	Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Chile	67.01	Banco Santander Perú, S.A.	100.00
Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	75.05	Banco Santander Río, S.A. (Argentina)	99.30
Banco Santander de Negocios Colombia S.A.	99.99		

We engage in a full range of retail banking activities in Latin America, although the range of our activities varies from country to country. We seek to take advantage of whatever particular business opportunities local conditions present.

Our significant position in Latin America is attributable to our financial strength, high degree of diversification (by countries, businesses, products, etc.), and the breadth and depth of our franchise. Grupo Santander has the region's largest international franchise. It has over 49 million customers and market share of 9.9% in loans and 10.1% in deposits.

Profit attributable to the Parent bank from Latin America in 2014 was €3,150 million, a €29 million or 1% decrease as compared to 2013. However, in local currencies and eliminating the perimeter effect (the units of Santander Asset Management "SAM" that were sold and which we now consolidate by the equity method in the various applicable countries), attributable profit increased by 10%. The ROE reached 14.0% (as compared to 13.8% in 2013). Net interest income fell by €1,041 million or 7%, however in local currencies and eliminating the perimeter effect, net interest income increased 3%, mainly affected by the change in business mix toward

lower cost of credit products and also reduced spreads. Operating expenses decreased by €505 million or 6%, however, excluding the exchange rate impact and the perimeter effect, expenses grew by 5% mainly due to investment in networks and commercial projects (some traditional and others focused on priority customer segments) and inflationary pressures on employee compensation and contracted services. Impairment losses on financial assets declined €1,342 million or 21% mainly due to the improvement in Brazil continuing the trend started at the beginning of 2013.

As of December 31, 2014, loans and advances to customers increased by 12% (the perimeter effect does not affect loans as SAM does not engage in the credit business). Managed and marketed customer funds increased 15%, with a 13% growth in deposits and a 44% growth in loans due to credit institutions. The NPL ratio decreased 35 basis points to 4.65% and the coverage ratio stood at 85% at December 31, 2014.

Detailed below are the performance highlights of the main Latin American countries in which we operate:

**Brazil.** Santander Brazil is the country's third largest private sector bank by assets and the largest foreign bank in the country. The institution operates in the main regions, with 3,411 branches and points of banking attention, 14,856 ATMs, 46,464 employees (direct and assigned), all of which were hired on a full time basis and more than 31 million customers at the end of 2014.

During 2014, Santander Brazil's strategy, as a bank with a wide range of products and focus on commercial banking consisted of the following: to improve customer satisfaction and loyalty, to increase the recurring and sustainable nature of transactions, to increase productivity, to strengthen the business lines with lower market share, to maintain capital and liquidity discipline with the objective of preserving the strength of the balance sheet, to manage regulatory changes and to harness opportunities for growth.

During 2014 Santander Brazil entered into or effected the following agreements/acquisitions:

- Agreement to create a joint venture with Banco Bonsucesso to leverage activities in the payroll business, as well as increase the number of products offered and improve the distribution and marketing capacity. This transaction closed in the first quarter of 2015.
- Acquisition of 50% of SuperBank, a digital platform that sells financial products and services for the individuals segment, with a more efficient structure.
- Purchase of GetNet to strengthen the credit cards business. Banco Santander (Brasil) S.A. has an indirect participation in GetNet with a stake of 88.5%.

Profit attributable to the Parent bank from Brazil in 2014 was €1,558 million, a €19 million or 1% decrease (+8% in local currency) as compared to 2013. Total income fell €1,557 million or 11% (or 3% in local currency and at constant perimeter) compared with 2013. This decrease was due to (i) an 11%, or 3% decrease in local currency and excluding the perimeter effect, in net interest income due to the portfolio's change in mix to lower risk products/segments and reduced spreads on loans, and (ii) an 82%, or 81% decrease in local currency and excluding the perimeter effect, in trading gains because of the reduced gains from market activity in 2014. Operating expenses decreased by 8% compared with 2013, however in local currency and at constant perimeter they rose 1%, remaining well below the inflation rate. Credit quality continues to improve as loan loss provisions declined by 25%, or 18% in local currency (the perimeter effect did not have an impact). The ROE stood at 13.3%.

During 2014, total loans increased by 12%, or 10% in local currency, mainly due to an increase in mortgages (34%), where market penetration is still low, and large companies (24%). Loan volumes in segments with low risk/spreads such as agri-business (23%) and loans through the Brazilian Development Bank (21%), where we want to increase our presence, also rose strongly. Managed and marketed customer funds increased by 14% with deposits growing by 12%, loans due to credit institution increasing by 77% and mutual and pension funds growing by 17%. The NPL ratio was 5.05% at December 31, 2014 compared with 5.64% at December 31, 2013. The coverage ratio stood at 95% at December 31, 2014.

**Mexico.** Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, is one of the leading financial services companies in Mexico. In the fourth quarter of 2013, Mexico acquired ING Hipotecaria, which consolidated the Bank as the country's second largest mortgage provider. Santander is the third largest banking group in Mexico by business volume, with a market share in loans of 13.8% and 13.7% in

deposits. As of December 31, 2014, it had 1,347 branches throughout the country, 16,933 employees (direct and assigned), of which 3,117 were temporary and more than 11 million customers.

Profit attributable to the Parent bank from Mexico in 2014 declined 7% (or 4% eliminating the exchange rate impact and the perimeter effect) to €660 million. Total income increased 1%, or 6% in local currency and eliminating the perimeter effect, supported by increased business activity and effective management of spreads. Operating expenses rose 2%, or 7% excluding the exchange rate impact and the perimeter effect, due to the greater installed capacity, with the opening of 95 branches in 2014. Loan loss provisions declined 6%, or 2% in local currency (the perimeter effect did not have an impact). As a result, operating profit before taxes increased 4%, or 9% in local currency and eliminating the perimeter effect. However, the normalization of the effective tax rate (7.8% in 2013 and 19.5% in 2014) offset the increase in profit before taxes. The ROE was 14.3% at December 31, 2014, compared to 15.2% at December 31, 2013.

Loans increased by 16% while managed and marketed customer funds increased by 15% mainly due to an increase of 16% in deposits.

At December 31, 2014, the NPL ratio increased 18 basis points to 3.84% while the coverage ratio was 86%.

**Chile.** Banco Santander Chile is the leading bank in Chile in terms of assets and customers, with a particular focus on retail activity (individuals and SMEs). As of December 31, 2014, its market share in loans was 19.2% and in deposits 17.6%. Of note is its share of loans to individuals – it is the leader in consumer finance with a market share of 24.6% and in mortgages with a market share of 20.9%. As of December 31, 2014, Banco Santander Chile had 475 branches, 12,081 employees (direct and assigned), all of which were hired on a full time basis, 1,645 ATMs and 3.6 million customers.

Profit attributable to the Parent bank from Chile increased 17% to €509 million (or 35% in local currency and excluding the perimeter effect). Total income decreased 2% with a 2% increase in net interest income and 11% fall in income from commissions. Operating expenses and loan loss provisions decreased 9% and 13%, respectively.

In local currency and at constant perimeter total income increased by 13%, backed by: (i) an 18% increase in net interest income spurred by growth of volumes in target segments, due to the better mix of deposits and the rise in earnings from the inflation-indexed UF portfolio, and (ii) a 2.2% increase in income from commissions from means of payment (11%), mutual funds (17%) and transaction banking, which offset the impact of the regulatory changes that limited insurance fees we can charge to our customers. Operating expenses rose 6% which is slightly above the inflation rate, due to investments in technology. Loan loss provisions were essentially unchanged with a slight increase of 0.5%. For 2014, the ROE was 19.9%, the NPL ratio increased by 6 basis points to 5.97% and the coverage ratio was 52%.

In 2014, customer loans increased 6% and managed and marketed customer funds rose by 14% resulting from an 11% increase in customer deposits and a 37% growth in mutual and pension funds.

**Argentina.** Santander Río is the country's leading private sector bank in terms of assets, loans and customer funds, with market shares of 9.2% in lending and 9.5% in deposits at December 31, 2014. At that date, in Argentina we had 396 branches, 7,275 employees and 2.5 million customers.

During the year, lending and deposits increased 7% and 15%, respectively. Nevertheless, in local currency lending rose 23%, focused on lending to SMEs and companies, deposits increased 31%, with similar growth in time deposits (40%) and demand deposits (26%). Loan and deposit growth and trends were aligned with the market.

Profit attributable to the Parent bank was €298 million, an 10% decrease compared with 2013. However, in local currency profit attributable to the Parent bank increased 33% due to improved net interest income and fee and commissions income. At the end of 2014, the ROE was 33.5% and the NPL ratio was 1.61% compared with 33.5% and 1.42% at the end of 2013, respectively.

**Uruguay.** The Group maintained its leadership in Uruguay. We are the largest private sector bank in the country, with a market share in lending of 17.7% and 15.1% in deposits. Overall, the Group had 89 branches, 1,221 employees and over 500,000 customers in the country at December 31, 2014.

Lending increased by 17%, with particular growth in individual customers and SMEs, and deposits rose by 18%, in each case compared with 2013. Attributable profit in Uruguay was €54 million, an increase of 2%, or 16% in

local currency, mainly due to the increase in net interest income and income from fees and commissions.

**Peru.** As of December 31, 2014, Banco Santander Perú, S.A. had 1 branch and 117 employees. The unit's activity is focused on companies and on the Group's global customers. A new auto finance company began to operate in 2013, together with a well-known international partner with considerable experience in Latin America. The company has a specialised business model, focused on service and with products that enable customers to acquire any brand of new car from any dealer in Peru.

Profit attributable to the Parent bank from Peru was €24 million, a 25% increase, or a 31% increase in local currency, compared with 2013.

**Colombia.** Banco Santander de Negocios Colombia S.A. began operating in January 2014. The bank targets the corporate and business markets, with a special focus on global customers and local customers aiming to expand to gain international presence.

Colombia had a €5.1 million loss attributable to the Parent bank.

### **United States**

The U.S. segment includes Santander Holdings USA (SHUSA), a bank holding company with two distinct lines of business: retail banking, via its subsidiary Santander Bank and Banco Santander Puerto Rico since 2014, and consumer finance business through its stake in Santander Consumer USA Inc. (SCUSA).

The business model of Santander Bank, with 705 branches, 10,060 employees (direct and assigned), all of which were hired on a full time basis, and two million customers at December 31, 2014, focuses on retail customers and companies. It conducts business in the north east of the United States, an area that generates 22% of the country's GDP.

Santander Puerto Rico had 54 branches, 410,000 customers, 1,430 employees and market shares of 10.0% in lending and 11.7% in deposits, as well as a network of 52 shops that tend to our consumer clients, in each case at December 31, 2014. It focuses on individuals and companies.

SCUSA, based in Dallas, has 4,429 employees and specialises in consumer finance, mainly auto finance and leasing of new and used vehicles (mainly focused on retail customers, although also on vehicle dealers), and on unsecured consumer loans, as well as servicing of portfolios for third parties.

At December 31, 2013, our stake in the company was recorded by the equity method. In the first quarter 2014, SCUSA completed an initial public offering of shares at a price of \$24 per share, and is now listed on the New York Stock Exchange. As of December 31, 2014, we retain a 60.5% stake; as a result, since 2014 we are fully consolidating SCUSA's financial statements.

The U.S. segment accounted for 7% of the total managed and marketed customer funds, 9% of total loans to customers and 11% of profit attributed to the Parent bank's total operating areas.

The U.S. segment obtained attributable profit of €800 million in 2014, in line with the €803 million obtained in 2013. Total income increased €3,157 million or 127%, however, excluding the perimeter effect (as SCUSA was fully consolidated in 2013 and as Puerto Rico was included in this segment in 2013) and exchange rates, total income increased by 16%. This growth was mostly due to the increase in lending by SCUSA while Santander Bank was affected by the reduction in the investments portfolio that impacted net interest income, as well as the decline in fee income largely due to new regulations limiting fees charged on overdrafts. Operating expenses rose €589 million or 41%, or 8% eliminating the perimeter effect, largely due to increased expenses associated with regulatory compliance. Loan loss provisions increased €2,186 million or €713 million eliminating the perimeter effect, mainly due to SCUSA's lending growth.

For 2014, ROE was 7.96% and the NPL ratio was 2.54%, which represents a 109 and 55 basis point reduction from 2013, respectively. The coverage ratio stood at 193% at year end.

*Second or business level:*

### **Retail Banking**

Retail Banking's profit attributable to the Parent bank in 2014 increased 16% (or 26% on a comparable basis as if Private Banking were excluded in 2013 and excluding the impact of exchange rates), to €5,871 million. The results were impacted by: (i) a 12% increase in net interest income (or 7% without the perimeter effect (as if Private Banking were excluded in 2013 and SCUSA was fully consolidated in 2013) and excluding the impact of exchange rates), (ii) a 1% decrease in operating expenses as the depreciation of Latin American currencies offset the perimeter effect and the investments made to develop the network and businesses, and (iii) a 3% increase in loan loss provisions.

In 2014, Retail Banking generated 85% of the operating areas' total income and 77% of profit attributable to the Parent bank. This segment had 173,670 employees as of December 31, 2014, of which 6,202 were temporary.

By geographic area, the main features in 2014 were as follows:

- Continental Europe posted a profit attributable to the Parent bank 71.4% higher than in 2013, due to increased net interest income and lower provisions.
- Attributable profit in the U.K. increased 43%, backed by increased net interest income and reduced provisions partly offset by increased operating costs.
- Latin America's attributable profit decreased by 5%. However, in local currencies attributable profit increased 6% resulting from lower provisions.
- Attributable profit in the U.S. grew 5% because of a 17% increase in total income due to the increase in net interest income. On the other hand, operating expenses increased (mainly due to increased regulatory compliance costs), and loan loss provisions grew (mainly due to the increase in lending by SCUSA and the increase in the unsecured consumer loan portfolio).

### **Global Wholesale Banking**

This area covers our corporate banking, treasury and investment banking activities throughout the world.

Global Wholesale Banking generated 12% of total income and 21% of the profit attributable to the Parent bank in 2014. This segment had approximately 7,481 employees at December 31, 2014.

The attributable profit in 2014 was €1,614 million, an increase of 7% compared to 2013. This performance was impacted by an increase in net interest income (3%) and income from fees and commissions (13%), and from a decrease in net gains on financial assets and liabilities (-36%), increased investments in franchises under development (4%) and a decrease in loan loss provisions (-42%).

Global Wholesale Banking has 3 major areas: (i) global transaction banking (which includes cash management, trade finance and basic financing and custody), (ii) financing solutions and advisory (which includes the units that originate and distribute corporate loans or structured financing, the teams that originate bonds and securitization, the corporate finance units (mergers and acquisitions, primary equity markets, investment solutions for corporate clients via derivatives), as well as asset and capital structuring), and (iii) global markets (which include the sale and distribution of fixed income and equity derivatives, interest rates and inflation, the trading and hedging of exchange rates, short-term money markets for the Group's wholesale and retail clients, management of books associated with distribution, brokerage of equities, and derivatives for investment and hedging solutions).

### **Private Banking, Asset Management and Insurance**

This segment comprises all of our companies whose activity is private banking, management of mutual and pension funds and insurance.

Since December 2013, we hold a 50% ownership interest in SAM and control this company jointly with Warburg Pincus and General Atlantic. As a result, since December 2013, this company is accounted for by the equity method. See “—A. History and development of the company—Principal Capital Expenditures and Divestitures—Acquisitions, Dispositions, Reorganizations—*Agreement with Warburg Pincus and General Atlantic*.”

In 2014, this segment accounted for 3% of total income and 9% of attributable profit to the Parent bank. Profit

attributable to the Parent bank by Private Banking, Asset Management and Insurance in 2014 was €391 million or 125% higher than in 2013. Without the effect of the changes in the scope of consolidation (on a comparable basis for 2013 and 2014 assuming that the sale of 50% of the management companies took place before 2013 and that Private Banking was included in 2013), and excluding the impact of exchange rates, the increase would have been 31.3%. This increase was due to higher total income, flat operating expenses and lower loan loss provisions.

### ***Private Banking***

Attributable profit was €319 million (15.7% and 16.9% in constant euros) with a good evolution of gross income, operating expenses and loan loss provisions.

The process of developing and implementing a homogeneous model, which offers comprehensive solutions for the financial needs of the Group's high net worth clients, through specialised commercial units in the various countries in which we operate and supported by the Group's other global areas, continued during 2014. An important milestone in 2014 was integrating the three specialised networks in Spain, positioning Santander as the reference financial institution for high net worth clients in the country.

### ***Asset Management***

Attributable profit in 2014 was €114 million, 43% higher than in 2013, after absorbing the sale of 50% of the SAM units and the depreciation of Latin American currencies. On a comparable basis (assuming the sale of 50% of the management companies took place before 2013), attributable profit doubled due to the greater contribution of the shared fund management entities as well as the increase in business volume. Total funds under management and marketed in 2014 were 17% higher than in 2013 at €162,000 million at constant exchange rates, of which €136,000 million were mutual and pension funds, and the remainder were clients' managed portfolios.

Under the strategic alliance with Warburg Pincus and General Atlantic to promote the global asset management business, the area continued to advance in its marketing model, backed by the strength and knowledge of local markets.

### ***Insurance***

Santander Insurance posted attributable profit in 2014 of €270 million, 15% more than in 2013. Eliminating the impact of exchange rates, attributable profit increased by 24%, mainly due to the increase in income from companies accounted for by the equity method. This line item represents the contribution of our joint venture insurers in our various strategic alliances.

We strengthened our bancassurance business via strategic alliances with insurers that are global leaders, thereby enabling our clients to access a larger and more innovative range of products. We entered into an agreement in 2014 with CNP to develop the insurance business of Santander Consumer Finance in Europe, and extend the cooperation agreement with Aegon to the Portuguese market. Our strategic agreements with Zurich in five Latin American countries, with Aegon in Spain and Aviva in Poland continued to meet our objectives. See “—A. History and development of the company—Principal Capital Expenditures and Divestitures—Acquisitions, Dispositions, Reorganizations” for further details on the CNP and Aegon agreements.

### **Spain's run-off real estate**

See above under “First level (or geographic)—Continental Europe—*Spain's run-off real estate*.”

### **Corporate Activities**

At the end of 2014, this area had 2,633 employees (direct and assigned) of which 957 were temporary.

This area is responsible for, on the one hand, a series of centralised activities to manage the structural risks of the Group and of the Parent bank. It executes the necessary activities for managing interest rates, exposure to exchange-rate movements and the required levels of liquidity in the Group. On the other hand, it acts as the Group's holding entity, managing the Group's global capital as well as that of each of the business units.

The Corporate Activities area had a loss of €1,789 million in 2014, a 14% decrease as compared to 2013. This



decrease was primarily due to an improvement in net interest income from the lower cost borrowing, increased trading gains (better results from management of assets and liabilities), and a growth in gains in other assets.

Within corporate activities, the financial management area conducts the global functions of balance sheet management, both structural interest rate and liquidity risk management (the latter via issuances and securitizations), as well as the structural position of exchange rates:

- Interest rate risk is actively managed by taking market positions to soften the impact of interest rate changes on net interest income, and is done via bonds and derivatives of high credit quality and liquidity and low consumption of capital.
- The objective of structural liquidity management is to finance the Group's recurring activity in optimum conditions of maturity and cost, maintaining an appropriate profile (in volumes and maturities) by diversifying the funding sources.
- Management of the exposure to exchange rate movements is also carried out on a centralised basis. This management (which is dynamic) is conducted through exchange-rate derivatives, seeking to optimise at all times the financial cost of hedging.

Hedging of net investments in the capital of businesses abroad aims to neutralise the impact on capital of converting into euros the balances of our material subsidiaries that are consolidated and whose currency is not the euro.

The Group's policy seeks to mitigate the impact, which, in situations of high volatility in the markets, sudden changes in interest rates would have on these exposures of a permanent nature. At the end 2014, we had €15,546 million hedged relating to our investments in Brazil, the U.K., Mexico, Chile, the U.S., Poland and Norway and the instruments used were spot, foreign exchange forwards or tunnel options.

Exposures of a temporary nature – those regarding results that the Group's units will contribute in the next 12 months in non-euro currencies – are also managed on a centralised basis in order to limit their volatility in euros.

Meanwhile, and separately from the financial management described here, Corporate Activities manages all capital and reserves and allocations of capital to each of the units, as well as providing the liquidity that some of the business units might need. The price at which these transactions are carried out is the market rate (euribor or swap) plus a risk premium associated with the hold of the funds during the life of the transaction, which in terms of liquidity, the Group supports.

Lastly, and marginally, the equity stakes of a financial nature that the Group takes within its policy of optimizing investments are reflected in Corporate Activities.

The condensed balance sheets and income statements of the various geographical segments are as follows:

(Condensed) balance sheet	Millions of euros						
	2014						
	Continental Europe	United Kingdom	Latin America	United States	Corporate activities	Intra-Group eliminations	Total
<b>Total assets</b>	<b>479,659</b>	<b>354,235</b>	<b>282,187</b>	<b>96,982</b>	<b>208,837</b>	<b>(155,604)</b>	<b>1,266,2</b>
Loans and advances to customers	266,827	251,191	144,714	67,176	4,803	-	734,7
Financial assets held for trading (excluding loans and advances)	65,859	39,360	35,886	926	2,121	-	144,1
Available-for-sale financial assets	52,858	11,196	31,216	12,695	7,285	-	115,2
Loans and advances to credit institutions	65,754	14,093	23,899	2,463	19,800	(44,296)	81,7
Non-current assets <sup>(*)</sup>	5,838	2,700	3,967	6,857	6,747	-	26,1
Other asset accounts	22,523	35,695	42,505	6,865	168,081	(111,308)	164,3
<b>Total liabilities and equity</b>	<b>479,659</b>	<b>354,235</b>	<b>282,187</b>	<b>96,982</b>	<b>208,837</b>	<b>(155,604)</b>	<b>1,266,2</b>
Customer deposits	255,719	202,328	137,726	46,575	5,279	-	647,6
Marketable debt securities	19,435	69,581	31,920	15,999	59,954	-	196,8
Subordinated liabilities	410	5,376	6,467	772	4,107	-	17,1
Liabilities under insurance contracts	713	-	-	-	-	-	7
Deposits from central banks and credit institutions	76,889	26,700	35,263	17,254	43,559	(44,296)	155,3
Other accounts <sup>(**)</sup>	101,950	35,834	48,053	5,910	9,620	(39,119)	162,2
Share capital and reserves	24,543	14,416	22,758	10,472	86,318	(72,189)	86,3
<b>Other customer funds under management</b>	<b>59,942</b>	<b>9,667</b>	<b>70,176</b>	<b>1,584</b>	<b>-</b>	<b>-</b>	<b>141,3</b>
Investment funds	41,594	9,524	57,539	862	-	-	109,5
Pension funds	11,481	-	-	-	-	-	11,4
Assets under management	6,867	143	12,637	722	-	-	20,3
<b>Customer funds under management <sup>(***)</sup></b>	<b>335,506</b>	<b>286,952</b>	<b>246,289</b>	<b>64,930</b>	<b>69,340</b>	<b>-</b>	<b>1,003,0</b>

(\*) Including Tangible assets and Other intangible assets.

(\*\*) Including, in addition to liability items not broken down, the balances of Valuation adjustments, Non-controlling interests and Profit for the year attributable to the Parent.

(\*\*\*) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

The Corporate Activities segment acts as the Group's holding company. Therefore, it manages all equity (share capital and reserves of all the units) and determines the allocation thereof to each unit. The Group's share capital and reserves (EUR 86,318 million) are initially assigned to this segment, and is then allocated in accordance with corporate policies to the business units (EUR 72,189 million). This allocation is shown as an asset of the Corporate Activities segment (included in Other asset accounts) and as a liability of each business unit (included in Share capital and reserves). Therefore, the allocation is reflected in the balance sheet net of adjustments for intra-Group eliminations in order not to duplicate the balances and obtain the total consolidated balance sheet for the Group.

(Condensed) balance sheet	Millions of euros						
	2013						
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Intra-Group eliminations	Total
<b>Total assets</b>	<b>436,641</b>	<b>323,743</b>	<b>244,927</b>	<b>59,383</b>	<b>181,847</b>	<b>(130,778)</b>	<b>1,115,7</b>
Loans and advances to customers	266,355	231,046	128,684	41,540	1,231	-	668,8
Financial assets held for trading (excluding loans and advances)	50,318	28,831	23,098	127	2,333	-	104,7
Available-for-sale financial assets	37,319	6,003	20,823	8,978	10,676	-	83,7
Loans and advances to credit institutions	38,506	17,136	28,073	488	28,774	(38,013)	74,9
Non-current assets (*)	6,298	2,498	3,895	620	3,303	-	16,6
Other asset accounts	37,845	38,229	40,354	7,630	135,530	(92,765)	166,8
<b>Total liabilities and equity</b>	<b>436,641</b>	<b>323,743</b>	<b>244,927</b>	<b>59,383</b>	<b>181,847</b>	<b>(130,778)</b>	<b>1,115,7</b>
Customer deposits	256,138	187,467	122,175	39,206	2,851	-	607,8
Marketable debt securities	16,782	64,092	28,987	1,146	64,470	-	175,4
Subordinated liabilities	406	5,805	4,832	1,225	3,871	-	16,1
Liabilities under insurance contracts	1,430	-	-	-	-	-	1,4
Deposits from central banks and credit institutions	59,040	26,882	24,490	8,436	28,562	(38,013)	109,3
Other accounts (**)	77,194	26,855	45,001	2,902	1,382	(28,562)	124,7
Share capital and reserves	25,651	12,642	19,442	6,468	80,711	(64,203)	80,7
<b>Other customer funds under management</b>	<b>50,962</b>	<b>9,645</b>	<b>59,188</b>	<b>5,375</b>	<b>-</b>	<b>-</b>	<b>125,1</b>
Investment funds	33,445	9,645	49,424	790	-	-	93,3
Pension funds	10,879	-	-	-	-	-	10,8
Assets under management	6,638	-	9,764	4,585	-	-	20,9
<b>Customer funds under management (***)</b>	<b>324,288</b>	<b>267,009</b>	<b>215,182</b>	<b>46,952</b>	<b>71,192</b>	<b>-</b>	<b>924,6</b>

(\*) Including Tangible assets and Other intangible assets.

(\*\*) Including, in addition to liability items not broken down, the balances of Valuation adjustments, Non-controlling interests and Profit for the year attributable to the Parent.

(\*\*\*) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

(Condensed) balance sheet	Millions of euros						
	2012						
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Intra-Group eliminations	Total
<b>Total assets</b>	<b>495,272</b>	<b>359,058</b>	<b>263,939</b>	<b>68,637</b>	<b>243,497</b>	<b>(160,758)</b>	<b>1,269,6</b>
Loans and advances to customers	283,426	249,157	135,748	45,673	5,108	-	719,1
Financial assets held for trading (excluding loans and advances)	87,992	38,177	28,272	406	4,065	-	158,9
Available-for-sale financial assets	38,309	6,718	23,180	15,110	8,949	-	92,2
Loans and advances to credit institutions	49,020	18,124	25,662	851	50,422	(70,179)	73,9
Non-current assets (*)	5,698	2,561	4,453	597	3,987	-	17,2
Other asset accounts	30,827	44,321	46,624	6,000	170,966	(90,579)	208,1
<b>Total liabilities and equity</b>	<b>495,272</b>	<b>359,058</b>	<b>263,939</b>	<b>68,637</b>	<b>243,497</b>	<b>(160,758)</b>	<b>1,269,6</b>
Customer deposits	256,154	194,452	130,856	42,026	3,151	-	626,6
Marketable debt securities	21,119	73,919	28,107	819	82,005	-	205,9
Subordinated liabilities	118	5,534	5,578	2,142	4,866	-	18,2
Liabilities under insurance contracts	1,425	-	-	-	-	-	1,4
Deposits from central banks and credit institutions	78,177	29,313	31,600	14,753	69,304	(70,181)	152,9
Other accounts (**)	107,245	42,688	48,182	2,926	4,535	(20,804)	184,7
Share capital and reserves	31,034	13,152	19,616	5,971	79,636	(69,773)	79,6
<b>Other customer funds under management</b>	<b>43,391</b>	<b>13,919</b>	<b>54,716</b>	<b>6,115</b>	<b>-</b>	<b>-</b>	<b>118,1</b>
Investment funds	27,079	13,919	46,843	1,335	-	-	89,1
Pension funds	10,076	-	-	-	-	-	10,0
Assets under management	6,236	-	7,873	4,780	-	-	18,8
<b>Customer funds under management (***)</b>	<b>320,782</b>	<b>287,824</b>	<b>219,257</b>	<b>51,102</b>	<b>90,022</b>	<b>-</b>	<b>968,9</b>

(\*) Including Tangible assets and Other intangible assets.

(\*\*) Including, in addition to liability items not broken down, the balances of Valuation adjustments, Non-controlling interests and Profit for the year attributable to the Parent.

(\*\*\*) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

(Condensed) income statement	Millions of euros					
	2014					
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	
<b>INTEREST INCOME/(CHARGES)</b>	<b>8,728</b>	<b>4,234</b>	<b>13,879</b>	<b>4,643</b>	<b>(1,937)</b>	
Dividends	287	1	88	29	30	
Income from companies accounted for using the equity method	(25)	9	283	4	(28)	
Net fee and commission income (expense)	3,457	1,028	4,565	683	(37)	
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	453	241	538	162	1,456	
Other operating income (expenses)	(78)	28	(288)	121	58	
<b>TOTAL INCOME</b>	<b>12,822</b>	<b>5,541</b>	<b>19,065</b>	<b>5,642</b>	<b>(458)</b>	
General administrative expenses	(5,632)	(2,565)	(7,226)	(1,813)	(663)	
<i>Personnel expenses</i>	<i>(3,316)</i>	<i>(1,642)</i>	<i>(4,012)</i>	<i>(1,029)</i>	<i>(243)</i>	
<i>Other general administrative expenses</i>	<i>(2,316)</i>	<i>(923)</i>	<i>(3,214)</i>	<i>(784)</i>	<i>(420)</i>	
Depreciation and amortization	(706)	(461)	(790)	(219)	(111)	
Provisions (net)	(530)	(184)	(942)	(24)	(1,328)	
Impairment losses	(2,960)	(333)	(5,143)	(2,230)	(44)	
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>2,994</b>	<b>1,998</b>	<b>4,964</b>	<b>1,355</b>	<b>(2,604)</b>	
Impairment losses on non-financial assets	(74)	-	14	(13)	(865)	
Other income and charges	109	3	113	46	2,638	
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,029</b>	<b>2,001</b>	<b>5,091</b>	<b>1,388</b>	<b>(830)</b>	
Income tax	(756)	(425)	(1,151)	(369)	(1,017)	
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>2,273</b>	<b>1,576</b>	<b>3,940</b>	<b>1,019</b>	<b>(1,847)</b>	
Profit (Loss) from discontinued operations	(26)	-	-	-	-	
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>2,247</b>	<b>1,576</b>	<b>3,940</b>	<b>1,019</b>	<b>(1,847)</b>	
Attributable to non-controlling interests	168	-	790	219	(58)	
<b>PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT</b>	<b>2,079</b>	<b>1,576</b>	<b>3,150</b>	<b>800</b>	<b>(1,789)</b>	

(Condensed) income statement	Millions of euros										
	2013						2012				
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Total	Continental Europe	United Kingdom	Latin America	United States	C A
<b>INTEREST INCOME/(CHARGES)</b>	<b>8,123</b>	<b>3,451</b>	<b>14,920</b>	<b>1,675</b>	<b>(2,234)</b>	<b>25,935</b>	<b>8,854</b>	<b>3,336</b>	<b>17,596</b>	<b>1,980</b>	
Dividends	265	1	54	23	35	378	289	1	59	21	
Income from companies accounted for using the equity method	(19)	4	202	321	(8)	500	(88)	(5)	183	341	
Net fee and commission income (expense)	3,552	991	4,808	460	(50)	9,761	3,625	1,190	5,020	455	
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	775	403	1,041	66	1,109	3,394	306	1,231	1,068	247	
Other operating income (expenses)	(111)	30	(268)	(60)	107	(302)	(19)	24	(360)	(71)	
<b>TOTAL INCOME (LOSS)</b>	<b>12,585</b>	<b>4,880</b>	<b>20,757</b>	<b>2,485</b>	<b>(1,041)</b>	<b>39,666</b>	<b>12,967</b>	<b>5,777</b>	<b>23,566</b>	<b>2,973</b>	
General administrative expenses	(5,807)	(2,181)	(7,624)	(1,274)	(566)	(17,452)	(5,790)	(2,311)	(8,069)	(1,221)	
<i>Personnel expenses</i>	<i>(3,527)</i>	<i>(1,401)</i>	<i>(4,235)</i>	<i>(690)</i>	<i>(216)</i>	<i>(10,069)</i>	<i>(3,498)</i>	<i>(1,492)</i>	<i>(4,551)</i>	<i>(663)</i>	
<i>Other general administrative expenses</i>	<i>(2,280)</i>	<i>(780)</i>	<i>(3,389)</i>	<i>(584)</i>	<i>(350)</i>	<i>(7,383)</i>	<i>(2,292)</i>	<i>(819)</i>	<i>(3,518)</i>	<i>(558)</i>	
Depreciation and amortization	(769)	(424)	(897)	(169)	(132)	(2,391)	(667)	(379)	(863)	(154)	
Provisions (net)	(158)	(232)	(782)	(51)	(1,222)	(2,445)	(130)	(522)	(1,017)	(180)	
Impairment losses	(3,766)	(580)	(6,485)	(44)	(352)	(11,227)	(9,903)	(1,220)	(7,300)	(345)	
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>2,085</b>	<b>1,463</b>	<b>4,969</b>	<b>947</b>	<b>(3,313)</b>	<b>6,151</b>	<b>(3,523)</b>	<b>1,345</b>	<b>6,317</b>	<b>1,073</b>	
Impairment losses on non-financial assets	(65)	(4)	(24)	(17)	(393)	(503)	(27)	-	(17)	(24)	
Other income and charges	(374)	-	311	(2)	1,795	1,730	(757)	5	228	5	
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,646</b>	<b>1,459</b>	<b>5,256</b>	<b>928</b>	<b>(1,911)</b>	<b>7,378</b>	<b>(4,307)</b>	<b>1,350</b>	<b>6,528</b>	<b>1,054</b>	
Income tax	(376)	(301)	(1,197)	(125)	(35)	(2,034)	1,490	(312)	(1,457)	(192)	
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>1,270</b>	<b>1,158</b>	<b>4,059</b>	<b>803</b>	<b>(1,946)</b>	<b>5,344</b>	<b>(2,817)</b>	<b>1,038</b>	<b>5,071</b>	<b>862</b>	
Profit (Loss) from discontinued operations	(6)	(9)	-	-	-	(15)	(7)	77	-	-	
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>1,264</b>	<b>1,149</b>	<b>4,059</b>	<b>803</b>	<b>(1,946)</b>	<b>5,329</b>	<b>(2,824)</b>	<b>1,115</b>	<b>5,071</b>	<b>862</b>	
Attributable to non-controlling interests	137	-	880	-	137	1,154	(79)	-	866	-	
<b>PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT</b>	<b>1,127</b>	<b>1,149</b>	<b>3,179</b>	<b>803</b>	<b>(2,082)</b>	<b>4,175</b>	<b>(2,745)</b>	<b>1,115</b>	<b>4,205</b>	<b>862</b>	

Following is the detail of revenue by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognised under Interest and similar income, Income from equity instruments, Fee and commission income, Gains/Losses on financial assets and liabilities (net) and Other operating income in the accompanying consolidated income statements for 2014, 2013 and 2012.

	Revenue (millions of euros)								
	Revenue from external customers			Inter-segment revenue			Total revenue		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Continental Europe	21,421	24,369	27,139	20	1,141	248	21,441	25,510	27,387
United Kingdom	9,091	9,612	11,019	1,204	1,180	1,294	10,295	10,792	12,313
Latin America	35,680	32,641	36,617	(393)	394	233	35,287	33,035	36,850
United States	7,339	2,799	3,474	(13)	113	(33)	7,326	2,912	3,441
Corporate Activities	3,263	4,015	3,718	7,323	6,862	9,056	10,586	10,877	12,774
Inter-segment revenue adjustments and eliminations	-	-	-	(8,141)	(9,690)	(10,798)	(8,141)	(9,690)	(10,798)
	<b>76,794</b>	<b>73,436</b>	<b>81,967</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,794</b>	<b>73,436</b>	<b>81,967</b>

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

##### **Marketing of products and services**

###### **Policies**

The Group manages the risk that may arise from an inadequate sale of products or an improper provision of services by the Group in accordance with the corporate framework for the marketing of products and services.

The purpose of this corporate framework is to establish a standard system for the marketing of products and services at the Group, in order to minimise the Group's exposure to risks in all the phases of marketing (approval, pre-sale, sale and follow-up).

In order to adapt the framework to the Bank and to the Group's subsidiaries, it is adopted by the respective boards of directors, and made binding and adapted where necessary to ensue compliance with the applicable

###### **Governance and organization**

The organizational structure for managing the risk that might arise from the incorrect selling of products or services is based, at both corporate and local level, on the marketing committees, the monitoring committees and at the conduct risk management offices.

The corporate marketing committee (CCC) is the Group's highest decision-making body regarding the approval of products and services. It is composed of representatives of the following divisions: risk, financial management, technology and operations, the general secretary's division, the controller's unit and management control, internal audit, commercial banking and global wholesale banking.

The CCC assesses the suitability of the product or service for the environment in which it is to be marketed, placing particular emphasis on ensuring that:

- Each product or service is sold by competent sales personnel.
- Customers are furnished with the required appropriate information.
- The product or service fits the customer's risk profile.
- Each product or service is assigned to the appropriate market, not only from a legal or tax standpoint, but also with regard to the financial culture of that market.
- The product or service meets the requirements of the corporate marketing policies and, in general, the applicable internal or external regulations.

Also, the local marketing committees (CLCs) approve new products and channel the related validation proposals to the CCC.

In their respective approval processes the marketing committees' actions are guided by a risk-based approach, from the view point of both the Bank and the customer.

The corporate monitoring committee (CCS) is the Group's decision-making body regarding the monitoring of products and services. It is composed of representatives from the following divisions: internal audit, the general secretary's division, risk, and the business areas concerned (with the ongoing representation of commercial banking). It meets weekly, and considers and resolves specific issues relating to the selling of products and services at all the Group's units.

The purpose of the corporate conduct risk management office (OCGRC) is to provide the relevant governing bodies with the information required to enable them: (i) to conduct an appropriate analysis of risk in the validation phase, with a two-fold focus: impact on the Bank and impact on the customer; and (ii) to monitor products over their life cycle.

At local level conduct risk management offices have been established, which are responsible, inter alia, for promoting a corporate culture of correct marketing practices and ensuring that products are approved and monitored in the respective local spheres in keeping with the corporate framework.

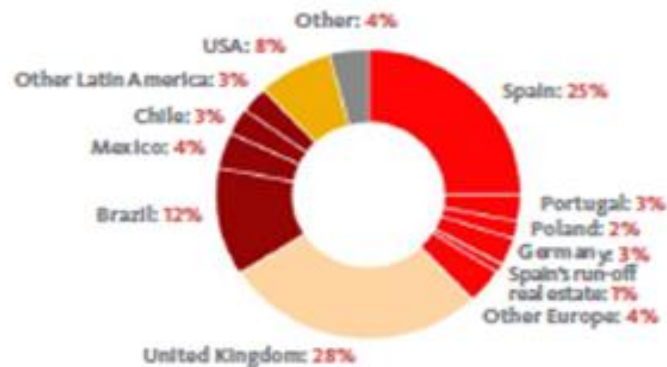
## 6.2 *Principal Markets: A brief description of the principal markets in which the Guarantor competes*

The Group has a geographic diversification balanced between mature and emerging markets (56% and 44% of profits, respectively, in 2014). The Bank concentrates on 10 core markets: Spain, Germany, Poland, Portugal, the UK, Brazil, Mexico, Chile, Argentina and the US. It also has significant market shares in Uruguay and Puerto Rico, consumer finance businesses in other European countries and a presence in China through wholesale banking and consumer finance.

The global business areas develop products that are distributed in the Group's retail networks and provide services to clients globally.



Distribution of total assets  
December 2014



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

Not applicable.

7. **ORGANISATIONAL STRUCTURE**

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

Banco Santander, S.A. is the parent company of the Group which was comprised at 31 December 2014 of 833 companies that consolidate by the global integration method. In addition, there were 209 companies that were accounted for by the equity method.

The Guarantor is not dependent upon any other entity within the Group.

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

The Guarantor is not dependent upon any other entity in the Group.

8. **TREND INFORMATION**

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

There has been no material adverse change in the prospects of the Guarantor and its subsidiaries taken as a whole since 31 December 2014.

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

The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as other major banks look to increase their market share, combine complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Group expects will increase the overall level of regulation in the markets.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Group or that would cause the disclosed financial information not to be indicative of its future operating results or our financial condition:

*Economic and Industry Conditions*

- General economic or industry conditions in Spain, the U.K., the U.S., other European countries, Brazil, other Latin American countries and the other areas in which it has significant business activities;
- Exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk;
- A worsening of the economic environment in Spain, the U.K., other European countries, Brazil, other Latin American countries, and the U.S., and an increase of the volatility in the capital markets;
- The effects of a continued decline in real estate prices, particularly in Spain and the U.K.;
- Monetary and interest rate policies of the European Central Bank and various central banks;
- Inflation or deflation;
- The effects of non-linear market behaviour that cannot be captured by linear statistical models, such as the VaR model we use;
- Changes in competition and pricing environments;
- The inability to hedge some risks economically;
- The adequacy of loss reserves;
- Acquisitions or restructurings of businesses that may not perform in accordance with its expectations;
- Changes in demographics, consumer spending, investment or saving habits;
- Potential losses associated with prepayment of our loan and investment portfolio, declines in the value of collateral securing our loan portfolio, and counterparty risk; and
- Changes in competition and pricing environments as a result of the progressive adoption of the internet for conducting financial services and/or other factors.

*Political and Governmental Factors*

- Political stability in Spain, the U.K., other European countries, Latin America and the U.S.;
- Changes in Spanish, U.K., Latin American, U.S. or other jurisdictions' laws or taxes, including changes in regulatory capital and liquidity requirements; and
- Increased regulation in light of the global financial crisis.

*Transaction and Commercial Factors*

- Damage to its reputation;
- The Group's ability to integrate successfully our acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while it integrates these acquisitions; and
- The outcome of its negotiations with business partners and governments.

### *Operating Factors*

- Potential losses associated with an increase in the level of non-performance by counterparties to other types of financial instruments;
- Technical difficulties and/or failure to improve or upgrade its information technology;
- Changes in our ability to access liquidity and funding on acceptable terms, including as a result of changes in its credit spreads or a downgrade in its credit ratings or those of its more significant subsidiaries;
- The Group's exposure to operational losses (e.g. failed internal or external processes, people and systems);
- Changes in its ability to recruit, retain and develop appropriate senior management and skilled personnel;
- The occurrence of force majeure, such as natural disasters, that impact its operations or impair the asset quality of its loan portfolio; and
- The impact of changes in the composition of its balance sheet on future net interest income.

## **9. PROFIT FORECASTS OR ESTIMATES**

If a guarantor chooses to include a profit forecast or a profit estimate this Base Prospectus must contain the information items 9.1 and 9.2.

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

## **10. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES**

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

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

The By-laws of the Guarantor (Article 41) provide that the maximum number of Directors is 22 and the minimum number 14.

The Board of Directors of the Guarantor is presently made up of 15 directors.

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

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

<i>Board of directors</i>	Executive committee	Executive Risk committee	Audit committee	Appointment committee	Remuneration committee	Risk supervision, regulation and compliance committee	International committee	Innovation and technology committee	Executive	Non-executive	Date of first appointment
Executive Chairman Ms. Ana Botín-Sanz de Sautuola y O'Shea	C						C	C			04.02.1989
Chief executive officer Mr. José Antonio Álvarez Álvarez											13.01.2015
First vice-chairman Mr. Bruce Carnegie-Brown				C	C	C				I	25.11.2014
Second vice-chairman Mr. Matías Rodríguez Inciarte		C									07.10.1988
Third vice-chairman Mr. Guillermo de la Dehesa Romero										E	24.06.2002
Fourth vice-chairman Mr. Rodrigo Echenique Gordillo											24.06.2002
Members											
Ms. Sheila C. Bair										I	27.01.2014
Mr. Javier Botín-Sanz de Sautuola y O'Shea										P	25.07.2004
Mr. Sol Daurella Comadrán										I	25.11.2014
Mr. Carlos Fernández González										I	22.07.2011
Ms. Esther Giménez-Salinas i Colomer										I	30.03.2012
Mr. Ángel Jado Becerro de Bengoa										I	11.06.2010
Mr. Juan Rodríguez Inciarte											24.03.2008
Ms. Isabel Tocino Biscarolasaga										I	26.03.2007
Mr. Juan Miguel Villar Mir			C							I	07.05.2013
General secretary and of the board											
Mr. Ignacio Benjumea Cabeza de Vaca (1)											

C: Chairman P: Proprietary I: Independent E: External, neither proprietary nor independent

(1) Not director

### Principal Activities Outside the Guarantor

The current directors of the Guarantor at the date hereof carry out among others the following functions in other companies:

Name or corporate name of Director	Name of listed company	Position
Ms. Ana Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	External Director
Mr. Matías Rodríguez Inciarte	Financiera Ponferrada, S.A., SICAV	External Director
Mr. Guillermo de la Dehesa Romero	Amadeus IT Holding, S.A.	External Vice Chairman
Mr. Rodrigo Echenique Gordillo*	NH Hoteles, S.A.	Non-Executive Chairman
	Inditex, S.A.	External Director
Ms. Isabel Tocino Biscarolasaga	ENCE Energía y Celulosa, S.A.	External Director
	Enagás, S.A.	External Director
Mr. Juan Miguel Villar Mir	Obrascón Huarte Lain, S.A. (OHL)	Chairman (proprietary)
	Abertis Infraestructuras, S.A.	Representative of OHL (proprietary vice chairman)
	Inmobiliaria Colonial, S.A.	Representative of Grupo Villar Mir (proprietary vice chairman)
Mr. Fernando de Asúa Álvarez**	Técnicas Reunidas, S.A.	External Vice Chairman

(\*) At 31 December 2014, Mr. Rodrigo Echenique Gordillo was also non-executive chair of Vocento, S.A.

(\*\*) He resigned as a director on 12 February 2015.

There are no potential conflicts of interests between any duties owed to the Guarantor by the directors and their private interests and/or other duties.

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

With regard to situations of conflict of interest, as stipulated in Article 30 of the Rules and Regulations of the Board, the directors must notify the board of any direct or indirect conflict with the interests of the Bank in which they may be involved. If the conflict arises from a transaction, the director shall not be allowed to conduct it unless the board, following a report from the appointments committee, approves such transaction.

The director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers, and the body responsible for resolving conflicts of interest is the board of directors itself.

In 2014, the board, without the involvement of the interested party and following a favourable report by the remuneration committee, authorised the sale by the Bank, on an arm's-length basis, of 2,403,923 shares of MED 2001 Inversiones, SICAV, S.A. held by Mr Ángel Jado Becerro de Bengoa and companies in his family group.

In addition to the matter described above, in 2014 there were a further 136 occasions on which other directors abstained from participating in and voting on the deliberations of the meetings of the board of directors and its committees.

The breakdown of the 136 cases is as follows: 52 occasions related to proposals for the appointment, re-election or removal of directors or the grant of powers of attorney to them; 43 occasions related to the approval of remuneration conditions; on 27 occasions the subject of debate were proposals to provide funding or other risk transactions to companies related to various directors; 5 occasions referred to the procedure required of the Bank, as a credit institution, to assess the suitability of the members of the board of directors and the holders of key functions, pursuant to Royal Decree 1245/1995, as worded in Royal Decree 256/2013; on 4 occasions the abstention occurred in connection with the annual verification of the directors' status which, pursuant to Article 6.3 of the Rules and Regulations of the Board, was performed by the appointments committee under Article 17.4g) of the Rules and Regulations of the Board, in order to ascertain whether the professional obligations of directors might interfere with the dedication required of them for the efficient discharge of their duties; one occasion related to the approval of a transaction with a related party; and one other occasion concerned the attendance of a director as a guest at board committee meetings after the director had ceased to be a member of the board.

## 11. BOARD PRACTICES

### 11.1 *Details relating to the guarantor's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.*

The Audit Committee was created primarily in order to evaluate the systems in place for information control and accounts oversight, to safeguard the independence of the financial auditor and to review the control and compliance systems of the Guarantor and the Group whilst reporting to the Board of Directors on its conduct and findings of these matters. The committee is composed of no less than three and no more than seven members (at the date of this Base Prospectus there are four (4) members: Carlos Fernández González, Ángel Jado Becerro de Bengoa, Isabel Tocino Biscarolasaga and its chairman Juan Miguel Villar Mir; the secretary (not a member) is Ignacio Benjumea Cabeza de Vaca). Members of the Audit Committee are selected by the Board with reference to their knowledge, aptitude and experience in accounting, auditing and risk management matters. The Audit Committee must be chaired by an independent member of the Board who must have knowledge and experience in accounting, auditing and risk management, currently it is Mr. Juan Miguel Villar Mir. All the current members of the committee are external and independent.

### 11.2 *A statement as to whether or not the guarantor complies with its country of incorporation's corporate governance regime(s). In the event that the guarantor does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.*

Banco Santander, S.A. complies with the Spanish corporate governance regime. The Guarantor has included in its annual corporate governance report, which can be found on the website of the *Comisión Nacional del Mercado de Valores* ([www.CNMV.es](http://www.CNMV.es)), a detailed explanation of its compliance with the various recommendations on corporate governance.

## 12. MAJOR SHAREHOLDERS

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

At 31 December 2014, 0.721% of the Bank's share capital was held by members of the board of directors.

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

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

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

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

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

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

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

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

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

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

See "Documents Incorporated by Reference - Guarantor Annual Financial Information and Form 20-F".

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

The Guarantor prepares audited consolidated and non-consolidated annual financial statements, the English translations of the audited consolidated annual financial statements for the years ended 2014 and 2013 are incorporated by reference under paragraph 9 of "Documents Incorporated by Reference".

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2014 and 2013 financial years were audited by the independent audit firm Deloitte, S.L. There are no qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2014 and 2013 financial years.

The Guarantor also prepares consolidated interim financial statements. The unaudited consolidated Income Statement and Balance Sheet of the Guarantor as at and for the three months ended 31 March 2015 have been incorporated by reference under paragraph 13 of "Documents Incorporated by Reference". Such financial statements were extracted from the internal accounting records of the Guarantor.

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

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

The individual and consolidated annual financial statements of Banco Santander, S.A. for the 2013 and 2014 financial years were audited by the independent audit firm Deloitte, S.L.

There are no qualifications of the auditors in relation to the individual and consolidated 2013 and 2014 annual Financial Statements referred to above.

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

The information contained in "Business Overview" above is not audited and was obtained from the internal accounting records of the Guarantor, save for the summarised balance sheets and income statements of the various geographical segments (principal level) and the summarised income statements and other significant data of the business segments (secondary level), which, with respect to the year 2014, were obtained from the Guarantor's 2014 Annual Report.

- 13.3.3            *Where financial data in this Base Prospectus is not extracted from the guarantor's audited financial statements state the source of the data and state that the data is unaudited.***

The information relating to the Group contained in paragraph 6.2 above is not audited and was obtained from the Guarantor's 2014 Annual Report.

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

The date of the most recent audited annual consolidated financial information of the Guarantor is 31 December 2014.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2014 and 31 December 2013 have been filed with the Spanish securities market regulator.

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

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

The date of the most recent annual consolidated audited financial information of the Bank is 31 December 2014.

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

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

See "Documents Incorporated by Reference – Guarantor Interim Financial Information".



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

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

See paragraph 13.5.1 above.

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

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) which may have, or have had in the previous twelve months, significant effects on the Guarantor and/or the Group's financial position or profitability.

The following is a summary of certain legal proceedings affecting the Group: The Guarantor believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these and other legal proceedings and believes that liabilities related to such proceedings should not have a significant effect on the Guarantor and/or the Group's financial position or profitability.

The Guarantor's general policy is to record provisions for tax and legal proceedings in which it assesses the chances of loss to be probable and it does not record provisions when the chances of loss are possible or remote. The Guarantor determines, on a case by case basis, amounts to be provided as its best estimate of the expenditure required to settle the corresponding claim based, among others, based on the analysis and legal opinion of internal and external counsel or by considering the historical average amount of loss of such category of lawsuits.

***Wherever possible the proceedings listed below are quantified. However, in view of the inherent difficulty of predicting the outcome of contentious matters the Bank is unable sometimes to quantify the potential loss or practical consequences if a judgment were ordered against it and accordingly no specific amount is attributed to such claims.***

#### **Tax-related proceedings**

At 29 April 2015, the main tax-related proceedings concerning the Group were as follows:

- Legal actions filed by Banco Santander (Brasil) S.A. and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9% to 15% stipulated by Interim Measure 413/2008, ratified by Law 11,727/2008, a provision having been recognised for the amount of the estimated loss.
- Legal actions filed by certain Group companies in Brazil claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8% and 10% from 1994 to 1998. No provision was recognised in connection with the amount considered to be a contingent liability.
- Legal actions filed by Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander Brasil, S.A., the legal action was declared unwarranted and an appeal was filed at the Federal Regional Court. In September 2007 the Federal Regional Court found in favour of Banco Santander Brasil, S.A., but the Brazilian authorities appealed against the judgment at the Federal Supreme Court. On April 23, 2015, the Federal Supreme Court published its decision holding that it will review the appeal related to PIS and declining to hear the appeal related to COFINS. The Federal Supreme Court's decision on the PIS appeal is still pending judgment and in relation to COFINS, on 28 May 2015, the plenary session of the Federal Supreme Court has unanimously dismissed the Extraordinary Appeal lodged by the Federal Prosecution Service. In the case of

Banco ABN AMRO Real S.A. (currently Banco Santander (Brasil), S.A.), in March 2007 the court found in its favour, but the Brazilian authorities appealed against the judgment at the Federal Regional Court, which handed down a decision partly upholding the appeal in September 2009. Banco Santander (Brasil), S.A. filed an appeal at the Federal Supreme Court. Law 12,865/2013 established a programme of payments or deferrals of certain tax and social security debts, under which any entities that availed themselves of the programme and withdrew the legal actions brought by them were exempted from paying late-payment interest. In November 2013 Banco Santander (Brasil) S.A. partially availed itself of this programme but only with respect to the legal actions brought by the former Banco ABN AMRO Real S.A. in relation to the period from September 2006 to April 2009, and with respect to other minor actions brought by other entities in its Group. However, the legal actions brought by Banco Santander (Brasil), S.A. and those of Banco ABN AMRO Real S.A. relating to the periods prior to September 2006, for which the estimated loss was provided for, subsist and are pending judgment.

- Banco Santander (Brasil), S.A. and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (IRPJ and CSLL) on the ground that the relevant requirements under the applicable legislation were not met. No provision was recognised in connection with the amount considered to be a contingent liability.
- Banco Santander (Brasil), S.A. and other Group companies in Brazil are involved in several administrative and legal proceedings against various municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services. No provision was recognised in connection with the amount considered to be a contingent liability.
- In addition, Banco Santander (Brasil), S.A. and other Group companies in Brazil are involved in several administrative and legal proceedings against the tax authorities in connection with the taxation for social security purposes of certain items which are not considered to be employee remuneration. No provision was recognised in connection with the amount considered to be a contingent liability.
- In December 2008 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil), S.A. in relation to income tax (IRPJ and CSLL) for 2002 to 2004. The tax authorities took the view that Banco Santander (Brasil), S.A. did not meet the necessary legal requirements to be able to deduct the goodwill arising on the acquisition of Banespa (currently Banco Santander (Brasil), S.A.). Banco Santander (Brasil) S.A. filed an appeal against the infringement notice at Conselho Administrativo de Recursos Fiscais (CARF), which on October 21, 2011 unanimously decided to render the infringement notice null and void. The tax authorities have filed an appeal against this decision at a higher administrative level (High Chamber of Tax Appeal). In June 2010 the Brazilian tax authorities issued infringement notices in relation to this same matter for 2005 to 2007. Banco Santander (Brasil), S.A. filed an appeal against these procedures at CARF, which was partially upheld on October 8, 2013. This decision has been appealed at the higher instance of CARF. In December 2013 the Brazilian tax authorities issued the infringement notice relating to 2008, the last year for amortization of the goodwill. This infringement notice was appealed by Banco Santander (Brasil), S.A. in the Federal Tax Office, and the Bank had a favourable decision, which has been appealed at CARF by the tax authorities. Based on the advice of its external legal counsel and in view of the first decision by CARF, the Group considers that the stance taken by the Brazilian tax authorities is incorrect, that there are sound defense arguments to appeal against the infringement notices and that, accordingly, the risk of incurring a loss is remote. Consequently, no provisions have been recognised in connection with these proceedings because this matter should not affect the consolidated financial statements.
- In May 2003 the Brazilian tax authorities issued separate infringement notices against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. (DTVM) and Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) in relation to the Provisional Tax on Financial Movements (CPMF) with respect to certain transactions carried out by DTVM in the management of its customers' funds and for the clearing services provided by Banco Santander Brasil, S.A. to DTVM in 2000, 2001 and the first two months of 2002. Both entities filed an appeal against the infringement notices at CARF, with DTVM obtaining a favourable decision and Banco Santander (Brasil) S.A. an unfavourable decision. Both decisions were appealed by the losing parties at the

Higher Chamber of CARF, and the appeal relating to Banco Santander (Brasil) S.A. is pending a decision. With respect to DTVM, on August 24, 2012, it was notified of a decision overturning the previous favourable judgment and lodged an appeal at the Higher Chamber of CARF on August 29, 2012. In the opinion of its legal advisors, the Group considers that the tax treatment applied in these transactions was correct. No provision was recognised in the consolidated financial statements in relation to this litigation as it was considered a contingent liability.

- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros, S.A. (currently Zurich Santander Brasil Seguros e Previdencia S.A.), as the successor by merger to ABN AMRO Brazil Dois Participacoes, S.A., in relation to income tax (IRPJ and CSL) for 2005. The tax authorities questioned the tax treatment applied to a sale of shares of Real Seguros, S.A. made in that year. The bank filed an appeal against this infringement notice which was upheld in part by CARF, the Federal Union having filed a special appeal. As the former parent of Santander Seguros, S.A. (Brasil), Banco Santander (Brasil) S.A. is liable in the event of any adverse outcome of this proceeding. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- Also, in December 2010, the Brazilian tax authorities issued infringement notices against Banco Santander (Brasil), S.A. in connection with income tax (IRPJ and CSLL), questioning the tax treatment applied to the economic compensation received under the contractual guarantees provided by the sellers of the former Banco Meridional. The bank filed an appeal for reconsideration against this infringement notice. On November 23, 2011, CARF unanimously decided to render null and void an infringement notice relating to 2002 with regard to the same matter, and the decision was declared final in February 2012. The proceedings relating to the 2003 to 2006 fiscal years are still in progress although, based on the advice of its external legal counsel, the Group considers that the risk of incurring a loss is remote.
- In June 2013, the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil), S.A. as the party liable for tax on the capital gain allegedly obtained in Brazil by Sterrebeeck B.V., an entity not resident in Brazil, as a result of the “incorporação de ações” (merger of shares) transaction carried out in August 2008. As a result of the aforementioned transaction, Banco Santander (Brasil), S.A. acquired all of the shares of Banco ABN AMRO Real, S.A. and ABN AMRO Brasil Dois Participações, S.A. through the delivery to these entities' shareholders of newly issued shares of Banco Santander (Brasil), S.A., issued in a capital increase carried out for that purpose. The Brazilian tax authorities take the view that in the aforementioned transaction Sterrebeeck B.V. obtained income subject to tax in Brazil consisting of the difference between the issue value of the shares of Banco Santander (Brasil), S.A. that were received and the acquisition cost of the shares delivered in the exchange. In December 2014 the Group filed an appeal against the infringement notice at CARF after the appeal for reconsideration lodged at the Federal Tax Office was dismissed. Based on the advice of its external legal counsel, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defense arguments to appeal against the infringement notice. Accordingly, the risk of incurring a loss is remote. Consequently, the Group has not recognised any provisions in connection with these proceedings because this matter should not affect the consolidated financial statements.
- In November 2014 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil), S.A. in relation to income tax (IRPJ and CSLL) for 2009 questioning legitimacy of deducting the amortization of the goodwill of Banco ABN AMRO Real S.A., which took place prior to the absorption of this bank by Banco Santander (Brasil), S.A., but accepting the amortization performed prior to the merger. On the advice of its external legal counsel, Banco Santander (Brasil), S.A. has filed an appeal against this decision at the Federal Tax Office. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability. Banco Santander (Brasil), S.A. has also appealed against infringement notices issued by the tax authorities questioning the tax deductibility of the amortization of the goodwill arising on the acquisition of Banco Sudameris. No provision has been recognised related to this matter as it is considered to be a contingent liability.
- Legal action brought by Sovereign Bancorp, Inc. (currently Santander Holdings USA, Inc.) claiming its right to take a foreign tax credit in connection with taxes paid outside the United

States in fiscal years 2003 to 2005 in relation to financing transactions carried out with an international bank. Santander Holdings USA Inc. considers that, in accordance with applicable tax legislation, it is entitled to recognise the aforementioned tax credits as well as the related issuance and financing costs. In addition, if the outcome of this legal action is favourable to the interests of Santander Holdings USA, Inc., the amounts paid over by the entity in relation to this matter with respect to 2006 and 2007 would have to be refunded. In 2013 the U.S. courts found against two taxpayers in cases with a similar structure. In the case of Santander Holdings USA, Inc. the proceeding was scheduled for October 7, 2013, although it was adjourned indefinitely when the judge found in favour of Santander Holdings USA, Inc. with respect to one of the main grounds of the case. Santander Holdings USA, Inc. expects the judge to rule on whether his previous decision will result in the proceedings being stayed in the case or whether other matters need to be analyzed before a final decision may be handed down. If the decision is favourable to Santander Holdings USA, Inc.'s interests, the U.S. government has stated its intention to appeal. The estimated loss relating to this proceeding was provided for.

- The Santander UK group has proactively engaged with HM Revenue & Customs to resolve a number of outstanding legacy tax matters. It has not however been possible to satisfactorily resolve all of these matters and as a result litigation proceedings have commenced in relation to a small number of remaining issues. All of these items relate to periods prior to Santander UK's adoption of the Code of Practice on Taxation for Banks in 2010. A provision for the full amount of tax in dispute has been made through the tax charge in previous years

At the date of approval of the annual report on Form 20-F certain other less significant tax-related proceedings were also in progress.

#### **Non-tax-related proceedings**

At 29 April 2015, the main non-tax-related proceedings concerning the Group were as follows::

- Customer remediation: claims associated with the sale by Santander UK of certain financial products (principally payment protection insurance or PPI) to its customers.

Payment protection insurance is a U.K. insurance product offering payment protection on unsecured personal loans (and credit cards). The product was sold by all U.K. banks. The mis-selling issues are predominantly related to business written before 2009. The nature and profitability of the product has changed materially since 2008.

On July 1, 2008, the U.K. Financial Ombudsman Service ("FOS") referred concerns regarding the handling of PPI complaints to the U.K. Financial Services Authority ("FSA"). On September 29, 2009 and March 9, 2010, the FSA issued consultation papers on PPI complaints handling as an issue of wider implication. The FSA published its Policy Statement on August 10, 2010, setting out the evidence and guidance on the fair assessment of a complaint and the calculation of redress, as well as a requirement for firms to reassess historically rejected complaints which had to be implemented by December 1, 2010.

On October 8, 2010, the British Bankers' Association ("BBA"), the principal trade association for the U.K. banking and financial services sector, filed on behalf of certain financial institutions (which did not include Santander UK plc) an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008. The judicial review was heard in the courts in January 2011 and on April 20, 2011 judgment was handed down by the High Court dismissing the proceeding brought by the BBA.

Santander UK did not participate in the legal action undertaken by other U.K. banks and had been consistently making provisions and settling claims with regards to PPI complaints liabilities.

The following table shows information on the total claims received up to December 31, 2014 and the resolution thereof:

(number of claims, in thousands)

	2014	2013	2012
Claims outstanding at the beginning of the period	14	31	1
Claims received <sup>(1)</sup>	246	363	437
Claims rejected as being invalid <sup>(2)</sup>	(194)	(298)	(258)
Resolved claims	(46)	(82)	(149)
<b>Claims outstanding at the end of the period</b>	<b>19</b>	<b>14</b>	<b>31</b>

<sup>(1)</sup> Includes rejected claims relating to customers that had never purchased payment protection insurance from Santander UK.

<sup>(2)</sup> Customers are entitled to appeal to the Financial Ombudsman Service (FOS) if their claims are rejected. The FOS may uphold or reject an appeal and if an appeal is upheld, Santander UK is required to compensate the customer. The table shows the result of appeals relating to paid or rejected claims.

At December 31, 2014, the provision recognised in connection with the claims above totaled GBP 129 million.

In 2014, the number of claims received declined compared to previous years but it is expected that claims will continue to be received for a longer period than initially envisaged and, accordingly the provisions have been increased by GBP 95 million. The monthly cost associated with these claims fell to GBP 11 million compared to a monthly average of GBP 18 million in 2013 and of GBP 26 million in 2012. The percentage of claims rejected as being invalid continues to be high.

The provision recognised at the end of 2014 represents the best estimate by Group management, taking into account the opinion of its advisers and of the costs to be incurred in relation to any compensation that may result from the redress measures associated with the sales of payment protection insurance (PPI) in the UK. The provision was calculated on the basis of the following key assumptions resulting from judgments made by management:

- Volume of claims- estimated number of claims;
- Percentage of claims lost- estimated percentage of claims that are or will be in the customers' favour; and
- Average cost - estimated payment to be made to customers, including compensation for direct loss plus interest.

These assumptions were based on the following information:

- A complete analysis of the causes of the claim, the probability of success, as well as the possibility that this probability could change in the future;
- Activity recorded with respect to the number of claims received;
- Level of compensation paid to customers, together with a projection of the probability that this level could change in the future;
- Impact on the level of claims in the event of proactive initiatives carried out by the Group through direct contact with customers; and
- Impact of the media coverage.

These assumptions are reviewed, updated and validated on a regular basis using the latest available information, such as, the number of claims received, the percentage of claims lost, the potential impact of any change in that percentage, etc. and any new evaluation of the estimated population.

The most relevant factor for calculating the balance of the provision is the number of claims received as well as the expected level of future claims. The percentage of claims lost is calculated on the basis of the analysis of the sale process. The average cost of compensation is calculated in a reasonable manner as the Group manages a high volume of claims and the related population is homogenous. Group management reviews the provision required at each relevant date, taking into account the latest available information on the aforementioned assumptions as well as past experience.

- After the Madrid Provincial Appellate Court had rendered null and void the award handed down in the previous arbitration proceeding, on September 8, 2011, Banco Santander, S.A. filed a new request for arbitration with the Spanish Arbitration Court against Delforca 2008, Sociedad de Valores, S.A. (formerly Gaesco Bolsa Sociedad de Valores, S.A.), claiming €66 million that the latter owes it as a result of the declaration on January 4, 2008 of the early termination by the Bank of all the financial transactions agreed upon between the parties.

On August 3, 2012, Delforca 2008, S.A. was declared to be in a position of voluntary insolvency by Barcelona Commercial Court no. 10, which had agreed as part of the insolvency proceeding to stay the arbitration proceeding and the effects of the arbitration agreement entered into by Banco Santander, S.A. and Delforca 2008, S.A. The Bank filed an appeal against this decision, which was dismissed and it then proceeded to prepare a challenge with a view to filing a future appeal. The Arbitration Court, in compliance with the decision of the Commercial Court, agreed on January 20, 2013 to stay the arbitration proceedings at the stage reached at that date until a decision could be reached in this respect in the insolvency proceeding.

In addition, as part of the insolvency proceeding of Delforca 2008, S.A., Banco Santander, S.A. notified its claim against the insolvent party with a view to having the claim recognised as a contingent ordinary claim without specified amount. However, the insolvency manager opted to exclude Banco Santander, S.A.'s claim from the provisional list of creditors and, accordingly, Banco Santander, S.A. filed an ancillary claim, which was dismissed by a Court decision on February 17, 2015. Banco Santander, S.A. has duly contested the decision with a view to lodging a future appeal.

As part of the same insolvency proceeding, Delforca 2008, S.A. has filed another ancillary claim requesting the termination of the arbitration agreement included in the framework financial transactions agreement entered into by that party and Banco Santander, S.A. in 1998, as well as the termination of the obligation that allegedly binds the insolvent party to the High Council of Chambers of Commerce (Spanish Arbitration Court). This claim has been upheld in full by the Court. Banco Santander, S.A. has contested the judgment with a view to lodging a future appeal.

On December 30, 2013, Banco Santander filed a complaint requesting the termination of the insolvency proceeding of Delforca 2008, S.A. due to supervening disappearance of the alleged insolvency of the company. The complaint was dismissed by the decision of June 30, 2014 against which the Bank proceeded to prepare a challenge with a view to filing a future appeal.

In addition, in April 2009 Mobiliaria Monesa, S.A. (parent of Delforca 2008, S.A.) filed a claim against Banco Santander, S.A. at Santander Court of First Instance no. 5, claiming damages which it says it incurred as a result of the (in its opinion) unwarranted claim filed by the Bank against its subsidiary, reproducing the same objections as Delforca 2008, S.A. This proceeding has currently been stayed on preliminary civil ruling grounds, against which Mobiliaria Monesa, S.A. filed an appeal which was dismissed by the Cantabria Provincial Appellate Court in a judgment dated January 16, 2014.

Lastly, on April 11, 2012, Banco Santander, S.A. was notified of the claim filed by Delforca 2008, S.A., heard by Madrid Court of First Instance no. 21, in which it sought indemnification for the damage and losses it alleges it incurred due to the (in its opinion) unwarranted claim by the

Bank. Delforca 2008, S.A. made the request in a counterclaim filed in the arbitration proceeding that concluded with the annulled award, putting the figure at up to €218 million. The aforementioned Court has dismissed the motion for declinatory exception proposed by Banco Santander, S.A. as the matter has been referred for arbitration. This decision was upheld in an appeal at the Madrid Provincial Appellate Court in a judgment dated May 27, 2014. The Group considers that the risk of loss arising as a result of these matters is remote and, accordingly, it has not recognised any provisions in connection with these proceedings.

- Former employees of Banco do Estado de São Paulo S.A., Santander Banespa, Cia. de Arrendamiento Mercantil: a claim was filed in 1998 by the association of retired Banespa employees (AFABESP) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's Bylaws in the event that the entity obtained a profit and that the distribution of this profit were approved by the board of directors. The bonus was not paid in 1994 and 1995 since the bank did not make a profit and partial payments were made from 1996 to 2000, as agreed by the board of directors, and the relevant clause was eliminated in 2001. The Regional Employment Court ordered the bank to pay this half-yearly bonus in September 2005 and the bank filed an appeal against the decision at the High Employment Court ("TST") and, subsequently, at the Federal Supreme Court ("STF"). The TST confirmed the judgment against the bank, whereas the STF rejected the extraordinary appeal filed by the bank in a decision adopted by only one of the Court members, thereby also upholding the order issued to the bank. This decision was appealed by the bank and the association. Only the appeal lodged by the bank has been given leave to proceed and will be decided upon by the STF in plenary session.
- "Planos economicos": Like the rest of the banking system, Santander Brazil has been the subject of claims from customers, mostly depositors, and of class actions brought for a common reason, arising from a series of legislative changes relating to the calculation of inflation ("planos economicos"). The claimants considered that their vested rights had been impaired due to the immediate application of these adjustments. In April 2010, the High Court of Justice ("STJ") set the limitation period for these class actions at five years, as claimed by the banks, rather than twenty years, as sought by the claimants, which will probably significantly reduce the number of actions brought and the amounts claimed in this connection. As regards the substance of the matter, the decisions issued to date have been adverse for the banks, although two proceedings have been brought at the STJ and the Supreme Federal Court ("STF") with which the matter is expected to be definitively settled. In August 2010, STJ handed down a decision finding for the plaintiffs in terms of substance, but excluding one of the "planos" from the claim, thereby reducing the amount thereof, and once again confirming the five-year statute of limitations period. Shortly thereafter, the STF issued an injunctive relief order whereby the proceedings in progress were stayed until this court issues a final decision on the matter.
- Proceeding under Criminal Procedure Law (case no. 1043/2009) conducted at Madrid Court of First Instance no. 26, following a claim brought by Banco Occidental de Descuento, Banco Universal, C.A. against the Bank for USD 150 million in principal plus USD 4.7 million in interests, upon alleged termination of an escrow contract.

The court upheld the claim but did not make a specific pronouncement on costs. A judgment handed down by the Madrid Provincial Appellate Court on October 9, 2012 upheld the appeal lodged by the Bank and dismissed the appeal lodged by Banco Occidental de Descuento, Banco Universal, C.A., dismissing the claim. The dismissal of the claim was confirmed in an ancillary order to the judgment dated December 28, 2012. An appeal was filed at the Supreme Court by Banco Occidental de Descuento against the Madrid Provincial Appellate Court decision. The appeal was dismissed in a Supreme Court judgment dated October 24, 2014. Banco Occidental de Descuento has filed a motion for annulment against the aforementioned judgment which has not yet been granted leave to proceed. The Bank has challenged the appeal. The Bank has not recognised any provisions in this connection.

- On January 26, 2011, notice was served on the Bank of an ancillary insolvency claim to annul acts detrimental to the assets available to creditors as part of the voluntary insolvency proceedings of Mediterráneo Hispa Group, S.A. at Murcia Commercial Court no. 2. The aim of the principal action is to request annulment of the application of the proceeds obtained by the company undergoing insolvency from an asset sale and purchase transaction involving €32 million in

principal and €2.7 million in interest. On November 24, 2011, the hearing was held with the examination of the proposed evidence. Upon completion of the hearing, it was resolved to conduct a final proceeding. The Court dismissed the claim in full in a judgment dated November 13, 2013. The judgment was confirmed at appeal by the Murcia Provincial Appellate Court in a judgment dated July 10, 2014. The insolvency managers have filed a cassation and extraordinary appeal against procedural infringements against the aforementioned judgment.

- The bankruptcy of various Lehman Group companies was made public on September 15, 2008. Various customers of Santander Group were affected by this situation since they had invested in securities issued by Lehman or in other products which had such assets as their underlying.

At the date of this Base Prospectus, certain claims had been filed in relation to this matter. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Group acted as intermediary would not give rise to any liability for it in relation to the insolvency of Lehman. Accordingly, the risk of loss is considered to be remote and, as a result, the Group has not recognised any provisions relating to this matter.

- The intervention, on the grounds of alleged fraud, of Bernard L. Madoff Investment Securities LLC ("Madoff Securities") by the U.S. Securities and Exchange Commission ("SEC") took place in December 2008. The exposure of customers of the Group through the Optimal Strategic US Equity ("Optimal Strategic") subfund was €2,330 million, of which €2,010 million related to institutional investors and international private banking customers, and the remaining €320 million made up the investment portfolios of the Group's private banking customers in Spain, who were qualifying investors.

At the date of this Base Prospectus, certain claims had been filed in relation to this matter. The Group considers that it has at all times exercised due diligence and that these products have always been sold in a transparent way pursuant to applicable legislation and established procedures. Therefore, the risk of loss is considered to be remote or non-material.

- At the end of the first quarter of 2013, news stories were published stating that the public sector was debating the validity of the interest rate swaps arranged between various financial institutions and public sector companies in Portugal, particularly in the public transport industry.

The swaps under debate included swaps arranged by Banco Santander Totta with the public companies Metropolitano de Lisboa, E.P.E. (MdL), Metro de Porto, S.A. (MdP), Sociedade de Transportes Coletivos do Porto, S.A. (STCP) and Companhia Carris de Ferro de Lisboa, S.A. (Carris). These swaps were arranged prior to 2008, i.e. before the start of the financial crisis, and had been executed without incident.

In view of this situation Banco Santander Totta took the initiative to request a court judgment on the validity of the swaps in the jurisdiction of the United Kingdom to which the swaps are subject. The corresponding claims were filed in May 2013.

After the Bank had filed the claims, the four companies (MdL, MdP, STCP and Carris) notified Banco Santander Totta that they were suspending payment of the amounts owed under the swaps until a final decision had been handed down in the U.K. jurisdiction in the proceedings. MdL, MdP and Carris suspended payment in September 2013 and STCP did the same in December 2013.

Consequently, Banco Santander Totta extended each of the claims to include the unpaid amounts.

On November 29, 2013, the companies presented their defense in which they claimed that the swaps were null and void under Portuguese law and, accordingly, that they should be refunded the amounts paid. On February 14, 2014, Banco Santander Totta, S.A. answered the counterclaim, maintaining its arguments and rejecting the opposing arguments in its documents dated November 29, 2013.



On April 4, 2014, the companies issued their replies to the Bank's documents. The preliminary hearing took place on May 16, 2014. The documentation analysis stage has been in progress since December 2014. These proceedings are still in progress.

Banco Santander Totta, S.A. and its legal advisers consider that the entity acted at all times in accordance with applicable legislation and under the terms of the swaps, and take the view that the U.K. courts will confirm the full validity and effectiveness of the swaps. As a result, the Group has not recognised any provisions in this connection.

- Most of the German banking industry has been affected by two German Supreme Court decisions in 2014 in relation to processing fees in consumer loan agreements.

In May 2014 the German Supreme Court held processing fees in loan agreements to be null and void. The Court subsequently handed down a ruling at the end of October 2014 extending from three to ten years the statute of limitation period on claims relating to old transactions. Therefore, any claims relating to processing fees paid between 2004 and 2011 become statute-barred in 2014. This situation gave rise to numerous claims at the end of 2014 which have affected the income statements of banks in Germany.

Santander Consumer Bank AG stopped including these processing fees in agreements from January 1, 2013 and ceased charging these fees definitively at that date, i.e. before the Supreme Court handed down its judgment on the issue.

In 2014 Santander Consumer Bank AG recognised provisions totaling approximately €455 million to cover the estimated cost of the claims relating to processing fees, considering both the claims already received and the estimated claims that may be received in 2015 relating to fees paid in 2012; no new claims are expected to be received for fees paid earlier than 2012 since they are statute-barred.

The Bank and the other Group companies are subject to claims and, therefore, are party to certain legal proceedings incidental to the normal course of their business (including those in connection with lending activities, relationships with employees and other commercial or tax matters).

In this context, it must be considered that the outcome of court proceedings is uncertain, particularly in the case of claims for large or indeterminate amounts, those based on legal issues for which there are no precedents, those that affect a large number of parties or those at a very preliminary stage.

With the information available to it, the Group considers that at December 31, 2014, 2013 and 2012, it had reliably estimated the obligations associated with each proceeding and had recognised, where necessary, sufficient provisions to cover reasonably any liabilities that may arise as a result of these tax and legal situations. It also believes that any liability arising from such claims and proceedings will not have, overall, a material adverse effect on the Group's business, financial position or results of operations.

In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Group cannot state with confidence what the eventual outcome of any of these pending matters will be, what the timing of the ultimate resolution of such matters will be or what the eventual loss, fines or penalties related to each such pending matter may be. Consequently, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Group; and the outcome of a particular matter may be material to the Group's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of the Group's income for that period.

The Group believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believes that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on the Group's business, financial condition, or results of operations.

13.7 ***Significant change in the guarantor's financial position: A description of any significant change in the financial position of the group which has occurred since the end of the last financial***

*period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.*

There has been no significant change in the financial position of the Santander Group (including the Guarantor) since 31 March 2015 (being the date of the most recently published consolidated financial statements of the Guarantor). Therefore, there has been no material adverse change in the prospects of the Guarantor since 31 March 2015.

14. **ADDITIONAL INFORMATION**

14.1 ***Share Capital***

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

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully-issued and paid up of €7,030,292,943, divided into 14,060,585,866 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

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

14.2.1 ***The register and the entry number therein, if applicable, and a description of the guarantor's objects and purposes and where they can be found in the memorandum and articles of association.***

The Guarantor's corporate purpose is:

- (i) the conduct of activities and operations and the provision of services of any kind which are typical of the banking business in general and which are permitted under current law; and
- (ii) the acquisition, possession, enjoyment and dispositions of all types of securities, as set out at Article 2 of the *Estatutos* of Banco Santander, S.A.

15. **MATERIAL CONTRACTS**

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

During the past two years, the Bank has not been a party to any contracts that were not entered into in the ordinary course of business of the Bank and which were material to the Group as a whole.

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

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

Not Applicable.

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

Not Applicable.

17. **DOCUMENTS ON DISPLAY**

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

- (a) *the memorandum and articles of association of the guarantor;*
- (b) *all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the guarantor's request any part of which is included or referred to in the base prospectus;*
- (c) *the historical financial information of the guarantor or, in the case of a group, the historical financial information of the guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the base prospectus.*

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

For the life of the Base Prospectus, the following documents may be inspected by physical or electronic means at the registered office of the Guarantor, at the offices of each of the Issue and Paying Agent and of the Paying Agents specified at the end of the Base Prospectus:

- (i) the *estatutos* (by-laws) of the Guarantor; and
- (ii) the information incorporated by reference herein under "Documents Incorporated by Reference" and under "The Description of the Guarantor — Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits and Losses".

The documents listed in (i) and (ii) above shall be published on electronic form (pdf copies) on the website of Banco Santander ([www.bancosantander.com](http://www.bancosantander.com)). Each of the Final Terms shall be published on electronic form (pdf copies) on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

**DOCUMENTS INCORPORATED BY REFERENCE { TC "DOCUMENTS INCORPORATED BY REFERENCE" \f C \l "1" }**

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

1. the terms and conditions set out on pages 162 to 192 of the base prospectus dated 16 June 2014 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

<http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D195%5C645%5CBASEPROSPECTUSFINAL.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704890295&ssbinary=true>

2. the terms and conditions set out on pages 161 to 187 of the base prospectus dated 21 June 2013 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

[http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D966%5C565%5CBASE+PROSPECTUS+Santander\\_EMTN\\_Programme\\_2013\\_DEFINITIVE\\_DOCUMENT.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704898274&ssbinary=true](http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D966%5C565%5CBASE+PROSPECTUS+Santander_EMTN_Programme_2013_DEFINITIVE_DOCUMENT.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704898274&ssbinary=true)

3. the terms and conditions set out on pages 109 to 185 of the base prospectus dated 22 June 2012 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

<http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D8%5C981%5CEMTN+Programme+guaranteed+by+Banco+Santander+S.A..pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704893927&ssbinary=true>

4. the terms and conditions set out on pages 101 to 166 of the base prospectus dated 8 November 2011 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

<http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D912%5C683%5CEMTN+Vto+2012.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704891126&ssbinary=true>

5. the terms and conditions set out on pages 111 to 172 of the base prospectus dated 12 November 2010 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by

Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

<http://www.santander.com/csrgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D317%5C822%5CPrograma+EMTN+garantizado+por+Banco+Santander+S.A..pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704894071&ssbinary=true>

6. the terms and conditions set out on pages 110 to 170 of the base prospectus dated 11 November 2009 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

<http://www.santander.com/csrgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D317%5C822%5CPrograma+EMTN+garantizado+por+Banco+Santander+S.A..pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704892035&ssbinary=true>

7. the terms and conditions set out on pages 101 to 165 of the base prospectus dated 14 November 2008 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

<http://www.santander.com/csrgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D514%5C96%5CEMTN+PROSPECTUS+2008.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704892160&ssbinary=true>

8. the terms and conditions set out on pages 178 to 243 of the base prospectus dated 16 November 2007 relating to the programme for issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander S.A. under the heading "Terms and Conditions of the Instruments", available at:

<http://www.santander.com/csrgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3Bfilename%3D317%5C822%5CPrograma+EMTN+garantizado+por+Banco+Santander+S.A..pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278704894878&ssbinary=true>

9. the audited annual consolidated financial statements and auditors' report for the Guarantor prepared under IFRS-EU for the years ended 31 December 2014 and 31 December 2013

<http://www.santander.com/csrgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content->

[Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D480%5C78%5CInf.+Audit+y+cunetas+2014+ENG+ACCE\\_.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278707206247&ssbinary=true](http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D480%5C78%5CInf.+Audit+y+cunetas+2014+ENG+ACCE_.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278707206247&ssbinary=true)

[http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D927%5C670%5CInforme+de+Auditori%C2%A6%C3%BCa+y+Cuentas+Anuales+ENG\\_ACCE.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278700159195&ssbinary=true](http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D927%5C670%5CInforme+de+Auditori%C2%A6%C3%BCa+y+Cuentas+Anuales+ENG_ACCE.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278700159195&ssbinary=true)

10. Form 20-F of the Guarantor prepared under IFRS-IASB for the years ended 31 December 2014 and 31 December 2013

[http://www.santander.com/csgs/BlobServer?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=MDT-Type&blobheadervalue1=application/pdf&leng=en\\_GB&blobheadervalue2=inline%3B+filename%3D529\416\ejercicio2014gb.pdf&blobheadervalue3=abinary%3B+charset%3DUTF-8&blobkey=id&blobnocache=true&blobtable=MungoBlobs&blobwhere=1278707709650](http://www.santander.com/csgs/BlobServer?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=MDT-Type&blobheadervalue1=application/pdf&leng=en_GB&blobheadervalue2=inline%3B+filename%3D529\416\ejercicio2014gb.pdf&blobheadervalue3=abinary%3B+charset%3DUTF-8&blobkey=id&blobnocache=true&blobtable=MungoBlobs&blobwhere=1278707709650)

[http://www.santander.com/csgs/BlobServer?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=MDT-Type&blobheadervalue1=application/pdf&leng=en\\_GB&blobheadervalue2=inline%3B+filename%3D706\67\712704A%2C0.pdf&blobheadervalue3=abinary%3B+charset%3DUTF-8&blobkey=id&blobnocache=true&blobtable=MungoBlobs&blobwhere=1278700576531](http://www.santander.com/csgs/BlobServer?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=MDT-Type&blobheadervalue1=application/pdf&leng=en_GB&blobheadervalue2=inline%3B+filename%3D706\67\712704A%2C0.pdf&blobheadervalue3=abinary%3B+charset%3DUTF-8&blobkey=id&blobnocache=true&blobtable=MungoBlobs&blobwhere=1278700576531)

11. the complete audited financial statements for Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal for the years ended 31 December 2014:

[http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278703340662&empr=CFWCSancomQP01&leng=en\\_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview](http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278703340662&empr=CFWCSancomQP01&leng=en_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview)

[http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278703341149&empr=CFWCSancomQP01&leng=en\\_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview](http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278703341149&empr=CFWCSancomQP01&leng=en_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview)

12. the complete audited financial statements for Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal for the years ended 31 December 2013:

[http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278697364884&empr=CFWCSancomQP01&leng=en\\_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview](http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278697364884&empr=CFWCSancomQP01&leng=en_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview)

[http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278697365072&empr=CFWCSancomQP01&leng=en\\_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview](http://www.santander.com/csgs/Satellite?appID=santander.wc.CFWCSancomQP01&c=DocumentoGS&canal=CSCORP&cid=1278697365072&empr=CFWCSancomQP01&leng=en_GB&pagename=Componentes%2FDocumentoGS%2FDocumentoGSPreview)

13. the complete interim financial statements and interim director's report for the Guarantor for the three month period ended 31 March 2015:

<http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheadername1=content-type&blobheadername2=Content-Disposition&blobheadername3=appID&blobheadervalue1=application%2Fpdf&blobheadervalue2=inline%3Bfilename%3D460%5C828%5CFolleto+1T15+ingles.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&blobkey=id&blobtable=MungoBlobs&blobwhere=1278707671700&ssbinary=true>

Any information contained in the pages of the Base Prospectuses referred to above which are not incorporated by reference is for information purposes only and is not incorporated by reference because it is not relevant for the investor.

Any information not specified in the cross-reference tables set out below but which is included in the documents from which the information incorporated by reference has been derived, is for information purposes only and is not incorporated by reference because it is not relevant for the investor.

#### *Santander Issuances Annual Financial Information*

The tables below set out the relevant page references in the English language translations of the annual reports of Santander Issuances for the years ended 31 December 2014 and 31 December 2013 (the "**SI 2014 Financial Statements**" and the "**SI 2013 Financial Statements**", respectively) where the following information incorporated by reference in this Base Prospectus can be found:

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>SI 2014 Financial Statements (page references are to the electronic .pdf version of the document)</b>
1. Auditor's report.....	A-1 and A-2
2. Audited Balance Sheets at 31 December 2014 and the comparative financial information of Santander Issuances, S.A. Unipersonal at 31 December 2013.....	A-4
3. Audited Statements of Income for the year ended 31 December 2014 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2013.....	A-5
4. Audited Statements of Changes in Equity for the year ended 31 December 2014 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2013.....	A-6 and A-7
5. Statements of Cash Flow for the year ended 31 December 2014 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2013.....	A-8
6. Notes to the Financial Statements.....	B-1 to B-20

<b>Information Incorporated by Reference in this Base Prospectus</b>		<b>SID 2013 Financial Statements (page references are to the electronic .pdf version of the document)</b>
1.	Auditor's report.....	A-1
2.	Audited Balance Sheets at 31 December 2013 and the comparative financial information of Santander Issuances, S.A. Unipersonal at 31 December 2012 .....	A-3
3.	Audited Statements of Income for the year ended 31 December 2013 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2012 .....	A-4
4.	Audited Statements of Changes in Equity for the year ended 31 December 2013 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2012 .....	A-5 and A-6
5.	Statements of Cash Flow for the year ended 31 December 2013 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2012 .....	A-7
6.	Notes to the Financial Statements .....	B-1 to B-21

*Santander International Debt Annual Financial Information*

The tables below set out the relevant page references in the English language translations of the annual reports of Santander International for the years ended 31 December 2014 and 31 December 2013 (the "**SID 2014 Financial Statements**" and the "**SID 2013 Financial Statements**", respectively) where the following information incorporated by reference in this Base Prospectus can be found:

<b>Information Incorporated by Reference in this Base Prospectus</b>		<b>SID 2014 Financial Statements (page references are to the electronic .pdf version of the document)</b>
1.	Auditor's report.....	A-1 and A-2
2.	Audited Balance Sheets at 31 December 2014 and the comparative financial information of Santander International Debt, S.A. Unipersonal at 31 December 2013.....	A-4
3.	Audited Statements of Income for the year ended 31 December 2014 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2013.....	A-5
4.	Audited Statements of changes in Equity for the year ended 31 December 2014 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2013.....	A-6 and A-7
5.	Statements of Cash Flow for the year ended 31 December 2014 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2013.....	A-8



<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>SID 2014 Financial Statements (page references are to the electronic .pdf version of the document)</b>
6. Notes to the Financial Statements.....	B-1 to B-41

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>SID 2013 Financial Statements (page references are to the electronic .pdf version of the document)</b>
1. Auditor's report.....	A-1
2. Audited Balance Sheets at 31 December 2013 and the comparative financial information of Santander International Debt, S.A. Unipersonal at 31 December 2012.....	A-3
3. Audited Statements of Income for the year ended 31 December 2013 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2012 .....	A-4
4. Audited Statements of changes in Equity for the year ended 31 December 2013 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2012.....	A-5 and A-6
5. Statements of Cash Flow for the year ended 31 December 2013 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2012 .....	A-7
6. Notes to the Financial Statements .....	B-1 to B-39

*Guarantor Annual Financial Information and Form 20-F*

The tables below set out the relevant page references in the English language translations of the audit and financial statements reports of the Guarantor for the years ended 31 December 2014 and 31 December 2013 (the "**2014 Audit Report**" and the "**2013 Audit Report**", respectively) where the following information incorporated by reference in this Base Prospectus can be found:

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>2014 Audit Report Page Reference</b>
1. Auditor's report on Consolidated Financial Statements for the year ended 31 December 2014 .....	1-2
2. Audited Consolidated Balance Sheets for the year ended 31 December 2014 and the comparative consolidated financial information of the	10-11

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>2014 Audit Report Page Reference</b>
Guarantor for the years ended 31 December 2013 and 31 December 2012	
3. Audited Consolidated Statements of Income for the year ended 31 December 2014 and the comparative consolidated financial information of the Guarantor for the years ended 31 December 2013 and 31 December 2012 .....	12
4. Audited Consolidated Statements of recognised income and expense for the year ended 31 December 2014 and the comparative consolidated cash flow statement of the Guarantor for the years ended 31 December 2013 and 31 December 2012.....	13
5. Audited Consolidated Statements of changes in equity for the year ended 31 December 2014 and the comparative consolidated cash flow statement of the Guarantor for the year ended 31 December 2013 and 31 December 2012 .....	14-15
6. Audited Consolidated Cash Flow Statements for the year ended 31 December 2014 and the comparative consolidated cash flow statement of the Guarantor for the years ended 31 December 2013 and 31 December 2012 .....	16
7. Notes to the Consolidated Financial Statements for the year ended 31 December 2014 .....	17-203

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>2013 Audit Report Page Reference</b>
1. Auditor's report on Consolidated Financial Statements for the year ended 31 December 2013 .....	4
2. Audited Consolidated Balance Sheets at 31 December 2013 and the comparative consolidated financial information of the Guarantor at 31 December 2012 and 31 December 2011 .....	8-9
3. Audited Consolidated Statements of Income for the year ended 31 December 2013 and the comparative consolidated financial information of the Guarantor for the years ended 31 December 2012 and 31 December 2011 .....	10
4. Audited Consolidated Statements of recognised income and expense for the year ended 31 December 2013 and the comparative consolidated financial information of the Guarantor for the years ended 31 December 2012 and 31 December 2011.....	11
5. Audited Consolidated Statements of changes in total equity for the year ended 31 December 2013 and the comparative for the years ended 31 December 2012 and 31 December 2011 .....	12-13
6. Audited Consolidated Cash Flow Statements for the year ended 31 December 2013 and the comparative consolidated cash flow statement of the Guarantor for the years ended 31 December 2012 and 31 December 2011 .....	14
7. Notes to the Consolidated Financial Statements for the year ended 31 December 2013	15-225

The tables below set out the relevant page references in Form 20-F of the Guarantor for the year ended 31 December 2014 ("**2014 Form 20-F**") and Form 20-F of the Guarantor for the year ended 31 December 2013 ("**2013 Form 20-F**") where the following information incorporated by reference in this Base Prospectus can be found:

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>2014 Form 20-F Page Reference</b>
Report of Deloitte, S.L. ....	F-1
Consolidated Balance Sheets as of 31 December 2014, 2013 and 2012 .....	F-2
Consolidated Statements of Income for the Years ended 31 December 2014, 2013 and 2012 .....	F-3
Consolidated Statements of recognised income and expense for the years ended 31 December 2014, 2013 and 2012 .....	F-4
Consolidated Statements of Changes in Total Equity for the Years Ended 31 December 2014, 2013 and 2012 .....	F-5 to F-7
Consolidated Statement of Cash Flows for the Years Ended 31 December 2014, 2013 and 2012 .....	F-8
Notes to the Consolidated Financial Statements.....	F-9 to F-337

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>2013 Form 20-F Page Reference</b>
Report of Deloitte, S.L. ....	F-1
Consolidated Balance Sheets as of 31 December 2013, 2012 and 2011 .....	F-2
Consolidated Statements of Income for the years ended 31 December 2013, 2012 and 2011 .....	F-3
Consolidated Statements of recognised income and expense for the years ended 31 December 2013, 2012 and 2011.....	F-4
Consolidated Statements of Changes in Total Equity for the years ended 31 December 2013, 2012 and 2011 .....	F-5 to F-7
Consolidated Statement of Cash Flows for the years ended 31 December 2013, 2012 and 2011 .....	F-8
Notes to the Consolidated Financial Statements.....	F-9 to F-348

#### *Guarantor Interim Financial Information*

The table below sets out the relevant page references of the English translation of the unaudited consolidated financial report for the Guarantor for the three months ended 31 March 2015 (the "**Financial Report March 2015**") where the following information incorporated by reference in this Base Prospectus can be found:

<b>Information Incorporated by Reference in this Base Prospectus</b>	<b>Financial Report March 2014 Page Reference</b>
1. Unaudited Consolidated Income Statement for the 3 months period ended 31 March 2015 .....	9
2. Unaudited Consolidated Balance Sheet as at 31 March 2015 .....	12

**GENERAL DESCRIPTION OF THE PROGRAMME{ TC "GENERAL DESCRIPTION OF THE  
PROGRAMME" \f C \l "1" }**

The Programme is a programme for the issuance of debt instruments up to an aggregate principal amount of EUR 32,000,000,000 to be issued on a continuing basis and will be placed by one or more Dealers appointed under the Programme from time to time by the Issuers, which appointment may be for a specific issue or on an ongoing basis. Under the Programme, the Issuers may issue fixed, reset or floating rate Instruments, CMS-Linked Instruments, Variable Interest Rate Instruments, Equity Index-Linked Interest Instruments and Inflation-Linked Interest Instruments. Santander International Debt, S.A. Unipersonal will issue unsubordinated Instruments and Santander Issuances, S.A. Unipersonal will issue subordinated Instruments under the Programme, in each case guaranteed by Banco Santander, S.A. Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Bank of New York Mellon, London Branch will act as Issue and Paying Agent, The Bank of New York Mellon (Luxembourg) S.A. will act as Registrar, A&L Listing Limited will act as Irish Listing Agent and The Bank of New York Mellon, Frankfurt Branch will act as German Paying Agent in relation to the Instruments.

## THE INSTRUMENTS{ TC "THE INSTRUMENTS" \f C \l "1" }

### 1. PERSONS RESPONSIBLE

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

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

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

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

### 2. RISK FACTORS

- 2.1 *Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed "Risk Factors" in the Base Prospectus.*

See "Risk Factors".

### 3. KEY INFORMATION

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

*A description of any interest, including conflicting ones that is material to the issue/offer, detailing the persons involved and the nature of the interest.*

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

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

*Reasons for the offer if different from making profit and/or hedging certain risks. Where applicable, disclosure of the estimated total expenses of the issue/offer and the estimated net amount of the proceeds. These expenses and proceeds shall be broken into each principal intended use and presented by order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed.*

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

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

4.1 *A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.*

See "Terms and Conditions of the Instruments — Introduction".

The maximum aggregate principal amount of Instruments which may be outstanding at any one time is €32,000,000,000 (or its equivalent in other currencies).

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

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

4.2 *Legislation under which the securities have been created*

The issue of the Instruments, including their legal nature (*obligaciones u otros valores que reconozcan o creen deuda*), the status of the Instruments, the status of the guarantee in respect of the Instruments, the capacity of the Issuers, the relevant corporate resolutions, when required the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law. The terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and, save for, in each case, the status of the guarantee, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee, are governed by English law.

4.3 *An indication of whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records*

Instruments may be issued in registered form, without interest coupons ("**Registered Instruments**"), or in bearer form, with or without interest coupons ("**Bearer Instruments**"). Bearer Instruments will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the applicable Final Terms, initially be represented by a Temporary Global Instruments without interest coupons attached, deposited: (a) in the case of a global instrument which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, with or on behalf of a Common Depositary located outside the United States for Euroclear and Clearstream, Luxembourg; or (b) in the case of a global instrument which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in a Temporary Global Instrument will be exchangeable (i) for interests in a permanent global Instrument in bearer form, without coupons (a "**Permanent Global Instrument**"), or (ii) in whole but not in part for definitive Instruments in bearer form (each, a "**Definitive Instrument**"), following certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. Bearer Instruments may be exchangeable for Registered Instruments. Registered Instruments will not be exchangeable for Bearer Instruments.

4.4 *Currency of the securities issue*

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

4.5 ***Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer***

Senior Instruments and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of Santander International and the Guarantor, respectively, and Subordinated Instruments and the guarantee in respect of them will constitute subordinated and unsecured obligations of Santander Issuances and the Guarantor, respectively, all as described in "Terms and Conditions of the Instruments — Condition 3 (*Status of the Instruments and the Guarantee*)".

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

In the event of insolvency (*concurso*) of the Issuer, under Law 22/2003, claims relating to the Subordinated Instruments will fall within the category of "subordinated debts" (as defined in Law 22/2003). The obligations of the Issuer under the Subordinated Instruments, whether on account of principal, interest or otherwise, are subordinated to all other unsecured and unsubordinated obligations of the Issuer. After payment in full of unsubordinated debts but before distributions to shareholders and creditors of the Issuer which are characterised as holders of equity (*Otros Acreedores a Título Asimilable al de Aportación de Capital*), under article 92 of Law 22/2003, the Issuer will meet such subordinated debts in the following order and pro rata within each class: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) contractually subordinated debt (such as the Subordinated Instruments); (iii) interest (such as interest due on the Subordinated Instruments accrued and unpaid until the commencement of the insolvency proceedings (*concurso*)); (iv) fines; (v) claims of creditors which are related to the Issuer; (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (*rescisión concursal*) and in respect of which the court has determined that the relevant creditor has acted in bad faith; and (vii) credits arising from agreements with reciprocal obligations, as referred to in articles 61, 62, 68 and 69 of Law 22/2003, whenever the court rules, following to the administrators' report of insolvency (*administración concursal*), that the creditor has, on a repetitive basis, impeded the performance of the agreement to the detriment of the insolvency proceedings.

Subordinated Instruments may be computed by the Guarantor as regulatory capital (*recursos propios*) of the Guarantor pursuant to the relevant provisions in current Spanish law relating to equity and consolidated groups of financial institutions: Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended and restated (or such provisions as may replace, supplement or implement the foregoing in the future).

4.6 ***A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.***

Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Instruments as set out in "Terms and Conditions of the Instruments" and must be read in conjunction with the Base Prospectus. The Terms and Conditions applicable to any particular Tranche of Instruments are the Terms and Conditions of the Instruments as amended and/or replaced by the relevant Final Terms. See "Pro Forma Final Terms". Senior Instruments will have the benefit of Events of Default as described in Condition 6 (*Events of Default*).

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

Instruments will be interest bearing. Interest may accrue at a fixed rate, reset rate or a floating rate (including, amongst others, pursuant to a Share Index or Inflation Index). See Condition 4 (*Interest*).

The reference rates could be (i) the London inter-bank offered rate (**LIBOR**) and (ii) the Euro Interbank Offered Rate (**EURIBOR**).

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

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



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

Claims for payment of principal will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years. See Condition 9 (Prescription).

***Where the rate is not fixed, description of the underlying on which it is based and of the method used to relate the two and an indication where information about the past and the further performance of the underlying and its volatility can be obtained.***

In the case of Floating Rate Instruments, the relevant rates will be determined by The Bank of New York Mellon, London Branch or such other persons as may be specified in the relevant Final Terms in its capacity as Calculation Agent by reference to a page on an information vending service (if Screen Rate Determination is specified in the Final Terms) in accordance with Condition 4B.03 (*Screen Rate Determination*), or if ISDA Determination is specified in the Final Terms, in accordance with Condition 4B.04 (*ISDA Determination*).

In the case of Equity Index-Linked Interest Instruments and Inflation-Linked Interest Instruments, the relevant rates will be determined by The Bank of New York Mellon, London Branch or such other persons as may be specified in the relevant Final Terms in its capacity as Calculation Agent in accordance with the provisions of the Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex, as applicable.

In the case of CMS-Linked Instruments, the relevant rates will be determined by The Bank of New York Mellon, London Branch or such other persons as may be specified in the relevant Final Terms in its capacity as Calculation Agent by reference to the constant maturity swap rate specified in the relevant Final Terms.

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

Any such events are specified in the Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex, as applicable.

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

The Bank of New York Mellon, London Branch or such other calculation agent as may be specified as Calculation Agent in the relevant Final Terms.

***If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.***

As indicated above, the Issuers may issue Instruments with interest determined by reference to a Share Index or Inflation Index.

4.8 ***Maturity date and arrangements for the amortisation of the loan, including the repayment procedures. Where advance amortisation is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating amortisation terms and conditions.***

Instruments may be redeemable at the redemption amount specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. See Condition 5 (*Redemption and Purchase*) and Condition 8 (*Payments*).

Subordinated Instruments qualifying as regulatory capital (*recursos propios*) in accordance with the Bank of Spain requirements will have a maturity of not less than five years or as otherwise permitted by the Bank of Spain.

Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to

persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the relevant Issuer.

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

The yield will be calculated as follows:

The expected interest for the investor of each issue of Instruments shall be calculated in accordance to the provisions of this Base Prospectus and the relevant Annex and shall be specified in the relevant Final Terms.

There is a wide range of methods to calculate the internal rate of return. In this regard, and as an example, below it is provided the formula for calculating the internal rate of return with explicit interest issued under this Base Prospectus, which shall be calculated in accordance with the following formula:

$$P_0 = \sum_{j=1}^n \frac{F_j}{\left(1 + \left(\frac{i}{100}\right)\right)^{\frac{d}{Base}}}$$

whereby:

P0 = Price of the Instrument.

Fj = Cash-flows along the Instrument's life.

i = Annual Effective Interest Rate (annual IRR) for the investor.

d = Number of days between the date of payment and the time where each cash-flow is generated.

n = Number of cash-flows of the Issuance.

Base = shall be the calculation basis for each Issuance, and shall provide the number of days in which the year is divided for the purpose of calculating the interest rate on an annual basis.

4.10 ***Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of where the public may have access to the contracts relating to these forms of representation***

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

A Commissioner will be appointed for each Syndicate.

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

The relevant Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend the Terms and Conditions of the Instruments and the Deed of Covenant insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to the Terms and Conditions of the Instruments or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Instruments. See Condition 12 (*Syndicate of Holders of the Instruments and Modification*).

The Issue and Paying Agency Agreement, together with the Dealership Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee may be inspected at the registered

office of the Guarantor and at the offices of the Irish Listing Agent, in each case at the address specified at the end of this Base Prospectus.

4.11 ***In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.***

The Programme was authorised by resolutions of the shareholders of Santander Issuances, S.A. Unipersonal on 1 June 2015, the Board of Directors of Santander Issuances, S.A. Unipersonal on 1 June 2015, the Shareholders of Santander International Debt, S.A. Unipersonal on 1 June 2015, the Board of Directors of Santander International Debt, S.A. Unipersonal on 1 June 2015, and the Executive Committee of the Board of Directors of the Guarantor on 1 June 2015.

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

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

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

See "The Instruments — paragraph 5.2 (Plan of Distribution and Allotment)".

4.14 ***In respect of the country of registered office of the issuer and the country(ies) where the offer being made or admission to trading is being sought:***

- Information on taxes on the income from the securities withheld at source { TC "- Information on taxes on the income from the securities withheld at source" \f C \l "1" };

## **TAXATION AND INFORMATION ABOUT THE INSTRUMENTS IN CONNECTION WITH PAYMENTS**

### **EU Savings Tax Directive**

Under Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

The Council Directive 2003/48/EC has been amended by the Council Directive 2014/48/EU which was adopted on 24 March 2014 and published on 15 April 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2016. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also apply a “look through approach” to certain payments where an individual resident in a Member State is regarded as the beneficial owner of that payment for the purposes of the Directive. This approach will apply to payments made to or by, or secured for or by, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments deducting tax at a rate of 35 per cent. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive on a common financial transaction tax. According to the Draft Directive, the FTT shall be implemented and enter into effect in eleven Participating Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia).

Pursuant to the Draft Directive, the FTT shall be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to (inter alia) primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1 per cent. of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

Prospective holders should therefore note, in particular, that any sale, purchase or exchange of the Instruments, will be subject to the FTT at a minimum rate of 0.1 per cent. provided the abovementioned prerequisites are met. The holder may be liable to itself pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Instruments.

The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time. Moreover, once the Draft Directive has been adopted (the "Directive"), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself. Prospective holders of the Instruments should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, acquiring, holding and disposing of the Instruments and the Common Shares deliverable upon conversion of the Instruments.

## Taxation in Spain

*The following is a general description of certain Spanish tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Instruments and receiving any payments under the Instruments. The information contained within this section is based upon the law as in effect on the date of this document and is subject to any change in law that may take effect after such date.*

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

### Introduction

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

- (a) *of general application*, First Additional Provision of Law 10/2014, of June 26, on organization, supervision and solvency of credit institutions ("**Law 10/2014**") and Royal Decree 1065/2007, of July 27, as amended by Royal Decree 1145/2011, of July 29 ("**Royal Decree 1065/2007**");
- (b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("**IIT**"), Law 35/2006 of 28 November, on the IIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended, and Royal Decree 439/2007, of 30 March, promulgating the IIT Regulations, along with Law 19/1991, of 6 June, on Net Wealth Tax, as amended, Law 36/2014, of 26 December, of General State Budget for 2015 and Law 29/1987, of 18 December on the Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Law 27/2014, of 27 November, on Corporate Income Tax and Royal Decree 1777/2004, of 30 July, promulgating the CIT Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, along with Law 19/1991, of 6 June, on Net Wealth Tax as amended, Law 36/2014, of 26 December, of General State Budget for 2015 and Law 29/1987, of 18 December, on the Inheritance and Gift Tax.

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

## 1. Individuals with Tax Residency in Spain

### 1.1 Individual Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Both interest payments periodically received and income derived from the transfer, redemption or repayments of the Instruments constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the IIT Law, and therefore must be included in the investor's IIT savings taxable base pursuant to the provisions of the aforementioned law and generally taxed at a flat rate of 19% on the first EUR 6,000 (exceptionally 20% during fiscal year 2015); (ii) 21% from EUR 6,001 up to EUR 50,000 (exceptionally 22% during fiscal year 2015) and 23% for any amount in excess of EUR 50,000 (exceptionally 24% during fiscal year 2015).

According to Section 44.5 of Royal Decree 1065/2007, and in the opinion of each Issuer and the Guarantor, the relevant Issuer will pay interest without withholding to individual Holders who are resident for tax purposes in Spain provided that the information about the Instruments required by Exhibit I is submitted, notwithstanding the information obligations of each Issuer under general provisions of Spanish tax legislation. In addition, income obtained upon transfer, redemption or exchange of the Instruments may also be paid without withholding.

However, in the case of Instruments held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Instruments may be subject to withholding tax at the general rate of 19% which will be made by the depositary or custodian. Exceptionally, during the fiscal year 2015, the withholding tax rate applicable is 20%.

Amounts withheld may be credited against the final IIT liability.

#### **1.2 *Net Wealth Tax (Impuesto sobre el Patrimonio)***

Individuals with tax residency in Spain are subject to Net Wealth Tax during the tax year 2015 to the extent that their net worth exceeds EUR 700,000. Therefore, they should take into account the value of the Instruments which they hold as at 31 December 2015, the applicable rates ranging between 0.2% and 2.5%. The Autonomous Communities may have different provisions on this respect.

As from 1 January 2016, Net Wealth Tax is effectively eliminated. The Net Wealth Tax Law provides for a 100% reduction on the Net Wealth Tax liability due by any Net Wealth Tax taxpayer (while also derogating Net Wealth Tax filing obligations).

#### **1.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Instruments by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable tax rates currently range between 7.65% and 81.6% depending on relevant factors.

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

#### **2.1 *Corporate Income Tax (Impuesto sobre Sociedades)***

Both interest received periodically and income derived from the transfer, redemption or repayment of the Instruments are subject to CIT (at the current general tax rate of 25%, exceptionally 28% during fiscal year 2015) in accordance with the rules for this tax.

In accordance with Section 44.5 of Royal Decree 1065/2007, and in the opinion of each of the Issuers and the Guarantor, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, neither of the Issuers will withhold tax on interest payments to Spanish CIT taxpayers provided that the information about the Instruments required by Exhibit I is submitted, notwithstanding the information obligations of each Issuer under general provisions of Spanish tax legislation.

However, in the case of Instruments held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Instruments may be subject to withholding tax at the generally applicable rate of 19% (exceptionally, 20% during the fiscal year 2015), if the Instruments do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 in which case the required withholding will be made by the depositary or custodian.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

#### **2.2 *Net Wealth Tax (Impuesto sobre el Patrimonio)***

Legal entities resident in Spain for tax purposes are not subject to Net Wealth Tax.

### 2.3 ***Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

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

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

### 3.1 ***Non-resident Income Tax (Impuesto sobre la renta de No Residentes)***

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

If the Instruments form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Instruments are, generally, the same as those previously set out for Spanish CIT taxpayers. See "Taxation in Spain—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)". Ownership of the Instruments by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

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

Both interest payments received periodically and income derived from the transfer, redemption or repayment of the Instruments, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Instruments, through a permanent establishment in Spain, are exempt from NRIT.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Instruments, in the manner detailed under " - Information about the Instruments in Connection with Payments" as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied within the manner indicated, the Issuer will withhold at the general rate of 19% (exceptionally 20% during fiscal year 2015) and the Issuer will not pay additional amounts.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer or the Guarantor does not timely receive the information about the Instruments in accordance with the procedure described in detail as set forth in Exhibit I hereto would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non Resident Income Tax Law.

### 3.2 ***Net Wealth Tax (Impuesto sobre el Patrimonio)***

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed EUR700,000 would be subject during the tax year 2015 to Net Wealth Tax, the applicable rates ranging between 0.2% and 2.5%.

However, non-Spanish resident individuals will be exempt from Net Wealth Tax in respect of the Instruments which income is exempt from NRIT as described above.

As from 1 January 2016, Net Wealth Tax is effectively eliminated.

Non-Spanish resident legal entities are not subject to Wealth Tax.

### 3.3 ***Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over Instruments by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and state rules, unless they reside in a country for tax purposes with which



Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant double tax treaty will apply.

Non-Spanish resident legal entities which acquire ownership or other rights over the Instruments by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), except as provided in any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Holder.

#### **4. Tax Rules for Instruments not Listed on an Organized Market in an OECD Country**

##### **4.1 Withholding on Account of IIT, CIT and NRIT**

If the Instruments are not listed on an organized market in an OECD country on any Payment Date, interest or income from redemption or repayment obtained by Holders in respect of the Instruments will be subject to withholding tax at the general rate of 19% (exceptionally, during the tax period 2015, the withholding tax rate applicable is 20%), except in the case of Holders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, provided that such Holders (i) do not obtain the interest income on the Instruments through a permanent establishment in Spain and (ii) are not resident of, or are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991, of 5 July, as amended) or (b) resident for tax purposes of a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to interest payable to any Holder.

##### **4.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)**

See "Taxation in Spain Individuals with Tax Residency in Spain – Net Wealth Tax (*Impuesto sobre el Patrimonio*)" and "Taxation in Spain – Individuals and legal entities with no tax residency in Spain – Net Wealth Tax (*Impuesto sobre el Patrimonio*)".

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

On the basis that payments of principal and interest made the Guarantor in respect of the Instruments are characterized as an indemnity under Spanish law, such payments may be made free and clear of, and without withholding or deduction on account of, any Spanish Tax. However, although there is no clear precedent, statement of law, or regulation on this matter, if the Spanish Tax Authorities take the position that the relevant Guarantor has validly, legally and effectively assumed all the obligations of the Issuer under the Instruments (whether contractually or by any other means), the Spanish Tax Authorities may determine that payments made by the Guarantor relating to the Instruments will be subject to the same tax rules set out above for payments made by the Issuers.

#### **6. Information about the Instruments in Connection with Payments**

As described above, interest and other income paid with respect to the Instruments will not be subject to Spanish withholding tax unless the procedures for delivering to the relevant Issuer and/or the Guarantor the information described in Exhibit I of this Base Prospectus are not complied with.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007 ("**Section 44**").

In accordance with Section 44, the following information with respect to the Instruments must be submitted to the Issuer and the Guarantor before the close of business on the Business Day (as defined in the Terms and Conditions of the Instruments) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Instruments (each, a "**Payment Date**") is due.

Such information comprises:

- (a) the identification of the Instruments with respect to which the relevant payment is made;

- (b) the date on which the relevant payment is made;
- (c) the total amount of the relevant payment;
- (d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain.

In particular, the Issue and Paying Agent must certify the information above about the Instruments by means of a certificate in the Spanish language, an English language form of which is attached as Exhibit I of this Base Prospectus.

In light of the above, the Issuers, the Guarantor and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Instruments by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the relevant Issuer or, as the case may be, the Guarantor on each Payment Date, such Issuer or, as the case may be, the Guarantor will withhold tax at the then-applicable rate, generally 19% (exceptionally, during the tax period 2015 the withholding tax rate applicable is 20%) from any payment in respect of the relevant Instruments. None of the Issuers or the Guarantor will pay any additional amounts with respect to any such withholding.

If, before the tenth day of the month following the month in which interest is paid, the Issue and Paying Agent provides such information, the relevant Issuer or, as the case may be, the Guarantor, will reimburse the amounts withheld.

**Prospective Holders of Instruments should note that none of the Issuers, the Guarantor or the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Instruments. Accordingly, none the Issuers, the Guarantor or the Dealers will be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, none of the Issuers or the Guarantor will pay any additional amounts with respect to any such withholding. See "Risk Factors - Risks in relation to the Instruments - Taxation".**

*Set out below is Exhibit I. The information set out in Exhibit I has been translated from the original Spanish and has been presented in this document in English only as the language of this Base Prospectus is English. However, only the Spanish language text of Exhibit I is recognised under Spanish law. In the event of any discrepancy between the English language translation of the information in Exhibit I appearing herein, and the Spanish language information appearing in the corresponding certificate provided by the Issue and Paying Agent to the relevant Issuer and/or the Guarantor, the Spanish language information shall prevail.*

## EXHIBIT I

### **Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes**

#### **Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes**

Mr. (name), with tax identification number (...)<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number (....)<sup>(1)</sup> and address in (...) as (function - mark as applicable):

- (a) Management Entity of the Public Debt Market in book entry form.
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Paying Agent appointed by the issuer.

Makes the following statement, according to its own records:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identification of the securities.....

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. In relation to paragraph 5 of Article 44.

2.1 Identification of the securities.....

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)  
.....

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

I declare the above in ..... on the.... of ..... of ....

<sup>(1)</sup> In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

### Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the U.S. Internal Revenue Service (the "**IRS**"). A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Proposed U.S. Treasury regulations expand the definition of "specified notional principal contract" beginning 1 January 2016.

While significant aspects of the application of Section 871(m) to the Instruments are uncertain, if the Issuers or any withholding agent determines that withholding is required, neither the Issuers nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Instruments.

### Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "**United States account**" of the Issuer (a "**Recalcitrant Holder**"). The Issuers will be classified as an FFIs.

The new withholding regime will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Instruments characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the Federal Register, or which are materially modified on or after the grandfathering date, and (ii) any Instruments characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Instruments are issued before the grandfathering date, and additional Instruments of the same series are issued on or after that date, the additional Instruments may not be treated as grandfathered, which may have negative consequences for the existing Instruments, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "*Model 1*" and "*Model 2*" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Spain have entered into an IGA (the "**U.S. - Spanish IGA**") based on the Model 1 IGA.

The Issuers expect to be treated as Reporting FIs pursuant to the U.S. - Spain IGA and do not anticipate being obliged to deduct any FATCA Withholding on payments they make, even after the withholding regime for foreign passthru payments commences. There can be no assurance, however, that the Issuers will be treated as a Reporting FI, or that they will in the future not be required to deduct FATCA Withholding from payments they make. According, the Issuers and financial institutions through which payments on the Instruments are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Instruments is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Instruments are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Instruments by the Issuer, any paying agent and the clearing systems, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Instruments. The documentation expressly contemplates the possibility that the Instruments may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. There is no obligation on the Issuers or Guarantor to gross up any deduction for FATCA Withholding made anywhere in the payment chain subsequent to the clearing systems.

**FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Instruments.**

## **Taxation in Luxembourg**

### **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. Prospective investors in the Instruments 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 tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.*

### **TAXATION OF THE HOLDERS OF INSTRUMENTS**

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

##### **(i) Non-resident holders of Instruments**

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 Instruments, nor on accrued but unpaid interest in respect of the Instruments, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Instruments held by non-resident holders of Instruments.

##### **(ii) Resident holders of Instruments**

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

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, as amended, implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of European Union Member States, known as 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%. 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. Payment of interest under the Instruments coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10 %.

#### **(B) Income Taxation**

##### **(i) Non-resident holders of Instruments**

A non-resident holder of Instruments, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Instruments are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Instruments. A gain

realised by such non-resident holder of Instruments on the sale or disposal, in any form whatsoever, of the Instruments is further not subject to Luxembourg income tax.

A non-resident corporate holder of Instruments or an individual holder of Instruments acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Instruments are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Instruments and on any gains realised upon the sale or disposal, in any form whatsoever, of the Instruments.

#### **(ii) Resident holders of Instruments**

Holders of Instruments who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

##### **Luxembourg resident corporate holder of Instruments**

A corporate holder of Instruments must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Instruments, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Instruments that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Instruments.

##### **Luxembourg resident individual holder of Instruments**

An individual holder of Instruments, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Instruments, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Instruments has opted for the application of a 10% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the Council Directive 2003/48/EC of 3 June 2003. A gain realised by an individual holder of Instruments, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Instruments is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Instruments were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Instruments acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

#### **(C) Net Wealth Taxation**

A corporate holder of Instruments, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Instruments are attributable, is subject to Luxembourg wealth tax on such Instruments, except if the holder of Instruments is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by



the law of 13 February 2007 on specialised investment funds, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended.

An individual holder of Instruments, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Instruments.

**(D) Other Taxes**

In principle, neither the issuance nor the transfer, repurchase or redemption of Instruments will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or *ad valorem* registration duty may be due upon the registration of the Instruments in Luxembourg in the case of legal proceedings before Luxembourg courts or in case the Instruments must be produced before an official Luxembourg authority, or in the case of a registration of the Instruments on a voluntary basis.

Where a holder of Instruments is a resident of Luxembourg for tax purposes at the time of his/her death, the Instruments are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Instruments if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

## **Taxation in the Federal Republic of Germany ("Germany")**

*The following is a general discussion of certain German tax consequences under the tax laws of Germany of the acquisition, ownership and disposal of the Instruments. This discussion does not purport to be a comprehensive description of all German tax considerations which may be relevant to a decision to purchase the Instruments. As each Tranche of Instruments may be subject to a different tax treatment due to the specific terms of such Tranche of Instruments as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. The information contained within this section is based on the laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.*

**PROSPECTIVE PURCHASERS OF THE INSTRUMENTS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSAL OF THE INSTRUMENTS, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN GERMANY AND ANY COUNTRY OF WHICH THEY ARE RESIDENT OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.**

### **1. Tax Residents**

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, statutory seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Instruments) and, in general, capital gains.

#### **1.1 Instruments held as private assets (*Privatvermögen*)**

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Instruments as private assets (*Privatvermögen*), the following applies:

##### **(a) Income**

The Instruments qualify as capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act ("**ITA**" – *Einkommensteuergesetz*).

Accordingly, payments of interest on the Instruments qualify as savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains/capital losses realised upon sale of the Instruments, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Instruments are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If the Instruments are assigned, redeemed, repaid or contributed into a corporation by way of a hidden capital contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Instruments can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated 9 October 2012 (BMF, IV C 1 – S 2252/10/10013), a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden capital contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible.

Further, pursuant to said tax decree, where securities provide for instalment payments (e.g. Instalment Instruments), such instalment payments shall always qualify as taxable savings income

(*Einkünfte aus Kapitalvermögen*) in the sense of section 20 para 1 no 7 ITA, unless the terms and conditions of the securities provide explicit information regarding redemption or partial redemption during the term of the securities and the contractual parties comply with these terms and conditions. It is further stated in the tax decree that, if, in the case of securities with instalment payments, there is no final payment at maturity, the expiry of such securities shall not qualify as a sale-like transaction, which means that any remaining acquisition costs could not be deducted for tax purposes. Similarly, any remaining acquisition costs of securities with instalment payments shall not be tax-deductible if the securities do not provide for a final payment or are terminated early without a redemption payment because the respective underlying has left the defined corridor or has broken certain barriers (e.g. in knock-out structures). Although this tax decree only refers to securities with instalment payments, it cannot be excluded that the tax authorities apply the above principles also to other kinds of full risk instruments.

In case of a physical settlement of certain Instruments which grant the Issuer or the investor the right to opt for a physical delivery of underlying securities instead of a money payment, the acquisition costs of the Instruments may be regarded as proceeds from the sale of the Instruments and hence as acquisition costs of the underlying bonds, shares, interests in investment funds or other securities. To the extent the provision mentioned above is applicable, generally the exchange of the Instruments into the underlying securities does not result in a taxable gain for the individual investor, but any consideration received by the investor in addition to the underlying securities qualifies as savings income. However, capital gains realised upon an on-sale of the received securities generally qualify as taxable income. In this case, the gain will be the difference between the proceeds from the disposal, redemption, repayment or assignment of the underlying securities and the acquisition costs of the Instruments (after deduction of expenses related directly to the disposal, if any).

It cannot be excluded that Instruments where the redemption amount and/or the interest is linked to a reference value qualify as contracts for difference (*Termingeschäfte*) in terms of section 20 para 2 sentence 1 no 3 ITA rather than as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 ITA. In such a case, in principle also all income from the Instruments including capital gains should be taxed as savings income. However, in accordance with the view of the German tax authorities, if the Instruments expire worthless, any loss suffered by an investor might not be tax-deductible.

The deduction of the actual income related expenses (other than expenses directly and factually related to sales), if any, is excluded.

If the Instruments are allocated to an activity of letting and leasing of property, the income from the Instruments qualifies, deviating from the above, as income from letting and leasing of property. In such a case, the taxable income is calculated as the difference between the income and income-related expenses (*Werbungskosten*).

(b) *Taxation of income*

Savings income is taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*), which is 26.375% (including solidarity surcharge (*Solidaritätszuschlag*)) plus, if applicable, church tax. When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) will be deducted.

The taxation of savings income shall take place mainly by way of levying withholding tax (please see subsection (c) below). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and satisfy the investor's income tax liability. If no or not enough withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return and the savings income will then be taxed within the assessment procedure. However, the separate tax rate for savings income applies in most cases also within the assessment procedure. In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. However, in

accordance with the view of the German tax authorities, the deduction of expenses (other than transaction costs) on an itemized basis is also not permitted in this case.

If the income from the Instruments qualifies as income from letting and leasing of property, the investor has to report income and income-related expenses (*Werbungskosten*) in its annual tax return and the balance will be taxed at the investor's individual income tax rate of up to 47.475% (including solidarity surcharge) plus, if applicable, church tax.

(c) *German withholding tax (Kapitalertragsteuer)*

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Instruments are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading company or a German securities trading bank (each a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings. If the Instruments are not held in a custodial account with a German Disbursing Agent, German withholding tax will nevertheless be levied if the Instruments are issued as definitive securities and the savings earnings are paid by a German Disbursing Agent or issuer against presentation of the Instruments or interest coupons (so-called over-the-counter transaction – *Tafelgeschäft*).

The tax base is, in principle, equal to the taxable gross income as set out in subsection (a) above (i.e. prior to withholding). However, in the case that the Instruments have not been kept in a custodial account with the same German Disbursing Agent since the time of their acquisition and the acquisition costs of the Instruments are not proven to the German Disbursing Agent in the form required by law (e.g. in the case of over-the-counter transactions or if the Instruments are transferred from a non-EU custodial account), withholding tax on capital gains is applied to 30% of the proceeds from the redemption or sale of the Instruments (plus interest accrued (*Stückzinsen*) on the Instruments). When computing for withholding tax, the German Disbursing Agent may, subject to certain requirements and restrictions, credit foreign withholding taxes and deduct any negative savings income or accrued interest paid of the same calendar year or of previous calendar years with the same German Disbursing Agent.

The Issuer is, in general, not obliged to levy German withholding tax in respect of payments on the Instruments. If, however, the Issuer is deemed to be resident in Germany for tax purposes and if, further, the Instruments qualify as hybrid instruments (e.g. silent participation, profit participating rights, jouissance rights (*Genussrechte*)), German withholding tax has to be imposed by the Issuer, unless the Instruments are held in German collective custody or jacket custody.

German withholding tax will be levied at a flat withholding tax rate of 26.375% (including solidarity surcharge).

Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. Individuals subject to church tax but declining to apply have to include their savings income in their tax return and will then be assessed to church tax. After 31 December 2014 an electronic information system as regards church withholding tax will apply in relation to investment income, with the effect that church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

No German withholding tax will be levied if the investor filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the maximum exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife or partners in accordance with the registered partnership law). Similarly, no withholding tax will be levied if the investor has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

1.2 *Instruments held as business assets (Betriebsvermögen)*

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Instruments as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied.

Where Instruments are held as business assets, interest accrued must be taken into account as income. Where Instruments qualify as zero bonds, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account.

Generally the deductibility of capital losses from Instruments which qualify for tax purposes as contracts for difference is limited. These losses may only be applied against profits from other contracts for difference derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses can be carried forward indefinitely and applied against profits from contracts for difference in subsequent years, subject to further requirements. If instead of a cash-settlement at maturity of an Instrument, a physical delivery of bonds, shares, units of investment funds etc. takes place, such delivery would be deemed to be a taxable sale of the Instrument and the corresponding capital gain will be taxable.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out in section 1.1 (c) above. However, investors holding the Instruments as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Instruments if, for example, (a) the Instruments are held by a company satisfying the requirements of section 43 para 2 sentence 3 no 1 ITA or (b) the proceeds from the Instruments qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form or (c) the Instruments are held by an investor satisfying the requirements of section 44a para 5 sentence 1 ITA.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax liability. If the tax withheld exceeds the assessed (corporate) income tax liability, the difference will be refunded within the tax assessment procedure.

## **2. Non-residents**

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Instruments unless (i) the Instruments are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Instruments qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Instruments, in principle, similar rules apply as set out above with regard to German tax resident persons (please see under section 1 above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax will be applied like in the case of a German tax resident investor. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty if the withholding tax exceeds the tax liability of the investor, subject to further requirements.

## **3. Taxation if the Instruments qualify as equity or equity-like**

If an Instrument qualifies as equity or as equity instrument-like from a German tax perspective, in addition to the rules set out above, deemed income may be subject to income taxation and trade tax.

Further, capital gains achieved by an investor holding the Instruments as private assets might be re-qualified as business income and, thus, taxable at the investor's individual income tax rate.

Capital gains and dividend income which is not taxed on the basis of the separate tax rate for savings income might be partly tax-exempt according to section 8b German Corporate Income Tax Act (*Körperschaftsteuergesetz*) and section 3 no 40 ITA respectively and the deductibility of capital losses might be restricted, subject to further requirements.

## **4. Application of the provisions of the German Investment Tax Act**

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

**5. Inheritance and Gift Tax**

Inheritance or gift taxes with respect to any Instrument will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Instrument is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed. In addition, certain German expatriates will be subject to inheritance and gift tax.

**6. Other Taxes**

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Instruments. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

The European Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transaction tax (**FTT**) (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force.

**7. EU Savings Directive**

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions apply from 1 July 2005.

5. **TERMS AND CONDITIONS OF THE OFFER**

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

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

See – “*Terms and Conditions of the Instruments*”.

Under this Base Prospectus, different type of Instruments can be issued (Senior Instruments and Subordinated Instruments). These issuances shall be made within the following twelve months since the date of approval of the Base Prospectus by the Central Bank of Ireland.

If so specified in the relevant Final Terms, the Instruments may be offered to the public in a non-exempt offer in one or more specified Public Offer Jurisdictions.

The terms and conditions of each offer of Instruments will be specified in the applicable Final Terms.

5.1.2 ***Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer.***

The total amount of the issue/offer will be specified in the Final Terms. The issuances of Instruments under this Base Prospectus could be underwritten by one or more Dealers, which will be specified in the relevant Final Terms for each issue. In case a certain issue is underwritten by one or more Dealers, the amount not subscribed at the end of the subscription period shall be underwritten on the last day by the Dealers. If the issuance is not underwritten, the outstanding total amount shall be reduced to the amount effectively requested by the investors.

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

To be specified in the Final Terms.

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

If an issue contemplates the possibility to reduce subscriptions, this will be specified in the Final Terms.

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

In case of issuances exclusively addressed for qualified investors, the minimum denomination amount will be 100,000 euros or its equivalent in another currency. The minimum denomination amount for retail investors will amount to 1,000 euros or its equivalent in another currency, unless otherwise provided in the relevant Annex of this Base Prospectus and in the relevant Final Terms.

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

To be specified in the Final Terms.

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

If applicable with respect to a Non-Exempt Offers, the total number of Instruments to be issued and the final level of subscription will be determined based on market demand for the Instruments during the relevant offering period of such Instruments and will be notified to investors by way of publication on the Guarantor’s website, filed with the Irish Central Bank and be made available at the registered office of the Issuer, the Guarantor and such other entities as specified in the Final Terms, on or prior to the Issue Date.

5.1.8 ***The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.***

Not applicable.

## 5.2 *Plan of distribution and allotment*

### 5.2.1 *The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.*

#### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus (as defined in the Dealership Agreement, as defined below), as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

- (a) if the Final Terms or Drawdown Prospectus in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant Issuer, or the Guarantor on its behalf, has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer(s) or, as the case may be, the Guarantor for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuers, the Guarantor 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 Instruments to the public**" in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU and includes any relevant implementing measure in the Relevant Member State.

#### *United States of America*

##### *Regulation S Category 2; TEFRA.*

Neither the Instruments nor the Guarantee have been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and the Instruments 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 the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons (the "**distribution compliance period**"), and such Dealer will have sent to each dealer to which it sells Instruments during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons. In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Tranche of Instruments will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer(s) may agree.

#### ***United Kingdom***

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

- (a) ***No deposit-taking:*** in relation to any Instruments which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (as amended, "**FSMA**") by the relevant Issuer;
- (b) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not, or in the case of the Guarantor, would not if it was not an authorised person, apply to the relevant Issuer or the Guarantor; and
- (c) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

#### ***Spain***

The Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Law 24/1988 of 28 July of the Securities Market*), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments.

Neither the Instruments nor the Base Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Base Prospectus is not intended for any public offer of the Instruments in Spain.

### ***Japan***

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Instruments, 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, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Switzerland***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, the Instruments may not be offered, sold or advertised, directly or indirectly, in, into or from Switzerland, except (i) in case of Instruments that constitute structured products within the meaning of the Swiss Collective Investment Schemes Act to qualified investors as defined in the Swiss Collective Investment Schemes Act and (ii) in case of any other Instruments, to a finite number of hand-picked and individually approached potential investors and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Instruments have been prepared with regard to the standards for prospectuses under article 652a or 1156 CO or for a simplified prospectus or prospectus under the Swiss Collective Investment Schemes Act, and therefore does not constitute a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations (**CO**) or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Instruments may be publicly distributed or otherwise made publicly available in, into or from Switzerland.

### ***Italy***

The offering of the Instruments has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation. The Dealers have represented and agreed that there may be no offer, sale or delivery of the Instruments or distribution of copies of the Base Prospectus (including, without limitation, any supplement to the Prospectus) or any other document relating to the Instruments in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any such offer, sale or delivery of the Instruments or distribution of copies of the Base Prospectus (including, without limitation, any supplement to the Base Prospectus) or any other document relating to the Instruments in the Republic of Italy under (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

### ***General***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, to the best of its knowledge and belief, it has complied and will comply with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Instruments or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by each Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) after the date hereof in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

#### **5.2.2      *Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.***

If applicable with respect to Non-Exempt Offers, prospective Noteholders will be notified by the relevant Dealer(s) and or if applicable the Authorised Offeror in accordance with the arrangements in place between such Dealer(s) or Authorised Offeror and its customers.

### **5.3              *Pricing***

#### **5.3.1      *An indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser.***

Instruments may be issued at par or at a discount to par or a premium over par and on a fully paid basis. If applicable with respect to Non-Exempt Offers, and unless otherwise specified in the Final Terms, the Issuer will offer and sell the Instruments to the Dealer(s) (and no one else) at the relevant issue price of the Instruments less, if applicable, a total commission. The Dealer(s) and Authorised Offerors will offer and sell the Instruments to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Authorised Offerors) or each such Authorised Offeror and its customers by reference to the issue price and the market conditions prevailing at the time. The amount of expenses and taxes specifically charged to the subscriber or purchaser will be specified in the Final Terms.

### **5.4              *Placing and Underwriting***

#### **5.4.1      *Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.***

See paragraph 5.4.3.

#### **5.4.2      *Name and address of any paying agents and depository agents in each country.***

The names and addresses of each of the Paying Agents and of the Registrar is specified at the end of this Base Prospectus.

5.4.3 ***Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission.***

Instruments may be sold from time to time by the relevant Issuer to any one or more of Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc., Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and Crédit Agricole Corporate and Investment Bank (the "**Dealers**"). Instruments may also be sold by the Issuer direct to institutions who are not Dealers. The arrangements under which Instruments may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 15 June 2015 (as amended or supplemented from time to time, the "**Dealership Agreement**") and made between the Issuers, the Guarantor and the Dealers.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments. The addresses of each of the Dealers is specified at the end of this Base Prospectus. The names and addresses of the Manager(s) of any particular issue of Instruments shall be specified in the relevant Final Terms.

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 for the Guarantor or the Issuers and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Instruments issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Guarantor, any of the Issuers and their affiliates, investor clients or as principal in order to manage their exposure, their general market risk, or trading activities.

In addition, in the ordinary course of their business activities, certain of 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 Guarantor, Issuers or their affiliates. Certain of the Dealers or their affiliates which have a lending relationship with the Guarantor or Issuers routinely hedge their credit exposure to the Guarantor or 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 Instruments issued under the Programme. Any such positions could adversely affect future trading prices of Instruments issued under the Programme. Certain of 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.

5.4.4 ***When the underwriting agreement has been or will be reached.***

To be specified in the Final Terms.

5.5 ***Additional Disclosure Requirements for Derivative Securities (Annex XII)***

5.5.1 ***A clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident unless the securities have a denomination per unit of at least EUR 100,000 or can only be acquired for at least EUR 100,000 per security.***

As indicated above, the Issuers may issue Instruments with interest determined by reference to a Share Index or Inflation Index.

**5.5.2            *The exercise price or the final reference price of the underlying.***

To be specified in the Final Terms.

**5.5.3            *A statement setting out the type of the underlying and details of where information on the underlying can be obtained:***

- *an indication where information about the past and the further performance of the underlying and its volatility can be obtained.*
- *where the underlying is a security.*
- *the name of the issuer of the security.*
- *where the underlying is an index.*
- *the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained.*
- *where the underlying is an interest rate.*
- *a description of the interest rate*
- *others:*
  - *where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.*
  - *where the underlying is a basket of underlyings.*
  - *disclosure of the relevant weightings of each underlying in the basket.*

The value of the principal invested by Holders will not be affected by the Share Index or Inflation Index as applicable. Please see Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex of this Base Prospectus as applicable.

None of the Share Indices or the Inflation Indices that may be used as reference to calculate the interest payment under the Instruments will be proprietary indices.

**5.5.4            *A description of any market disruption or settlement disruption events that affect the underlying.***

Please see Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex of this Base Prospectus as applicable.

**5.5.5            *Adjustment rules with relation to events concerning the underlying.***

Please see Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex of this Base Prospectus as applicable.

**5.5.6            *Name and address of a calculation agent.***

The Bank of New York Mellon, London Branch or such other calculation agent as may be specified as Calculation Agent in the relevant Final Terms.

**5.5.7            *An indication in the Base Prospectus whether or not the issuer intends to provide post-issuance information. Where the issuer has indicated that it intends to report such information, the issuer shall specify in the Base Prospectus what information will be reported and where such information can be obtained.***

Save as set out in the applicable Final Terms, the Issuers do not intend to provide any post-issuance information in relation to any issue of Instruments.

## 6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

- 6.1 *An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, give the earliest dates on which the securities will be admitted to trading.*

Instruments may be:

- (a) listed on the Official List of the Irish Stock Exchange (the "Official List") and admitted to trading on the regulated market of the Irish Stock Exchange;
- (b) listed or admitted, as the case may be, on other or further stock exchange(s) or markets as indicated in the applicable Final Terms in relation to each Series; or
- (c) neither listed nor admitted to trading on any market.

It is expected that each Tranche of Instruments which is to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Instrument initially representing the Instruments of such Tranche.

Application will be made to the Irish Stock Exchange for Instruments issued under the Programme to be admitted to the Official List and for such Instruments to be admitted to trading on the Irish Stock Exchange's regulated market.

The Base Prospectus will be passported to Luxembourg.

In accordance with Article 18 of the Prospectus Directive, the Central Bank of Ireland has been requested to provide the competent authority of Luxembourg, the *Commission de Surveillance du Secteur Financier* (CSSF), with a certificate of approval attesting that the Base Prospectus of each of the Issuers and the Guarantor has been drawn up in accordance with the Prospectus Directive.

- 6.2 *All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.*

Santander International has Instruments admitted to trading on the Luxembourg Stock Exchange, on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange (Scoach) and one issuance that is admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (Bolsa Mexicana de Valores). Santander Issuances apart from having Instruments admitted to trading on the Luxembourg Stock Exchange, has two issuances admitted to trading on the London Stock Exchange and two issuances admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (Bolsa Mexicana de Valores).

- 6.3 *Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.*

To be specified in the Final Terms.

## 7. ADDITIONAL INFORMATION

- 7.1 *If advisors connected with an issue are mentioned in the Base Prospectus, a statement of the capacity in which the advisors have acted.*

The legal advisers and capacity in which they act are specified at the end of this Base Prospectus.

- 7.2 *An indication of other information in the Base Prospectus which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.*

No such information is included.

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

No such statement or report is included.

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

No such information is included.

- 7.5 *Credit ratings assigned to an issuer or its debt securities at the request or with the cooperation of the issuer in the rating process. A brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*

Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") will be disclosed in the relevant Final Terms.

The long term debt rating categories used by Moody's, Standard & Poors, Fitch Ratings and DBRS are as follows:

Credit Rating Agency	Moody's	Standard & Poors	Fitch	DBRS
Investment Category	Aaa Aa A Baa	AAA AA A BBB	AAA AA A BBB	AAA AA A BBB
Especulative Category	Ba B Caa Ca C	BB B CCC CC C	BB B CCC CC C	BB B CCC CC C

Moody's assigns numeric modifiers 1, 2 and 3 to each generic ratings classification from Aa through B. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Fitch and Standard & Poor's applies a plus (+) or minus (-) sign in categories AA through CCC to show relative standing within the major rating categories.

DBRS applies the terms "High" and "Low", respectively, in the categories AA and B which shows the relevant position in each category.

The short term debt rating categories used by these agencies are as follows:

Moody's	Standard & Poors	Fitch	DBRS
Prime-1	A-1	F1	R-1
Prime-2	A-2	F2	R-2
Prime-3	A-3	F3	R-3
	B	B	R-4
	C	C	R-5

Standard & Poor's and Fitch both apply a plus sign (+) within the categories A-1 and F1.

DBRS applies the terms “High” and “Low”, respectively, in the categories R-1 and R-2 which shows the relevant position in each category.

A rating is not a recommendation to buy, sell or hold Instruments and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.



**TERMS AND CONDITIONS OF THE INSTRUMENTS{ TC "TERMS AND CONDITIONS OF THE INSTRUMENTS" \f C \l "1" }**

*The following general terms and conditions of the Instruments (the "**General Terms and Conditions**"), together with the Annex(es) (if applicable), which will include the additional terms and conditions contained in the Equity Index-Linked Interest Instruments Annex in the case of Equity Index-Linked Interest Instruments and Inflation-Linked Interest Instruments Annex in the case of Inflation-Linked Interest Instruments, in each case subject to the additional terms and conditions for payouts as set out in the Payout Annex are (save for the paragraphs of italicised text) the terms and conditions (collectively, the "**Terms and Conditions**") of the Instruments; and in each case subject to completion in the applicable Final Terms. The Terms and Conditions will be incorporated by reference into each Temporary Global Instrument or Permanent Global Instrument (as defined below) and each Definitive Instrument, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuers and the Dealer at the time of issue but, if not so permitted and agreed, such Definitive Instrument will have endorsed thereon or attached thereto such Terms and Conditions.*

The Instruments of each Tranche will be constituted by virtue of a public deed of issuance (the "**Public Deed of Issuance**") to be executed before a Spanish notary public and to be registered with the Mercantile Registry of Madrid on or prior to the Issue Date, and which shall contain, among other information the Terms and Conditions. The Instruments will be issued in accordance with an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**", which expression shall include any amendments or supplements thereto) dated 15 June 2015 and made between Santander International Debt, S.A. Unipersonal ("**Santander International**") and Santander Issuances, S.A. Unipersonal ("**Santander Issuances**") (each an "**Issuer**" and together, the "**Issuers**"), Banco Santander, S.A. (the "**Guarantor**"), The Bank of New York Mellon, London Branch in its capacity as issue and paying agent (the "**Issue and Paying Agent**" which expressions shall include any successor to The Bank of New York Mellon, London Branch in its capacity as such), The Bank of New York Mellon (Luxembourg) S.A. in its capacity as registrar (the "**Registrar**", which expression shall include any successor to The Bank of New York Mellon (Luxembourg) S.A. in its capacity as such) and The Bank of New York Mellon, Frankfurt Branch (together, the "**Paying Agents**", which expression shall include the Issue and Paying Agent, and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Terms and Conditions of any Series of Instruments (as defined below), the Issuer may appoint a Calculation Agent (as defined under Condition 4D.03) for the purposes of such Instruments, in accordance with the provisions of the Issue and Paying Agency Agreement, and such Calculation Agent shall be specified in the applicable Final Terms. The Issuers have executed and delivered a deed of covenant dated 15 June 2015 (the "**Deed of Covenant**"). The Guarantor has, for the benefit of the Holders of the Senior Instruments from time to time, executed and delivered a deed of guarantee (the "**Senior Guarantee**") dated 15 June 2015 under which it has guaranteed the due and punctual payments of all amounts due by Santander International under the Senior Instruments issued in or after the date thereof as and when the same shall become due and payable. The Guarantor shall, on an issue by issue basis, on or before the Issue Date of any Subordinated Instruments, for the benefit of Holders of Subordinated Instruments from time to time, execute and deliver a deed of guarantee (the "**Subordinated Guarantee**"), under which it shall guarantee the due and punctual payment of all amounts due by Santander Issuances under the relevant Subordinated Instruments as and when the same shall become due and payable. Copies of the Issue and Paying Agency Agreement, the Deed of Covenant, the Senior Guarantee and the relevant Subordinated Guarantee are, or will be, available for inspection during normal business hours at the specified office of each of the Paying Agents, the Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Instruments. Each Tranche will be the subject of a Final Terms (each, a "**Final Terms**"), a copy of which will be available for inspection during normal business hours at the specified office of the Issue and Paying Agent and/or the Registrar, as the case may be, and, in the case of a Tranche of Instruments listed on the regulated market of the Irish Stock Exchange and if the rules of such market so require, shall be published on the website of the Irish Stock Exchange. In the case of a

Tranche of Instruments in relation to which application has not been made for admission for listing on any listing authority, stock exchange and/or quotation system, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, an Accountholder (as defined in the Deed of Covenant) in respect of, such Instruments.

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

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

In respect of any Instruments, references herein to these "Terms and Conditions" are to these terms and conditions (which term shall include one or more Annex(es) in the form annexed hereto, if specified as applicable in the relevant Final Terms) as modified or (to the extent thereof) replaced by the Final Terms.

## 1. **Form and Denomination**

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

### *Form of Bearer Instruments*

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

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

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

1.04 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole (but not in part only), at the option of the Holder of such Permanent Global Instrument, for serially numbered Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the relevant Final Terms) Registered Instruments, (a) if any Instrument of the relevant Series becomes due and repayable following an Event of Default (as defined herein); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so or announces its intention to withdraw its acceptance of the Instruments for clearance and settlement through its system or in fact does so; or (c) only in respect of Instruments issued

with a denomination equal to the minimum specified denomination specified in the Final Terms or integral multiples thereof and if so specified in the Final Terms, at the option of the Holder of such Permanent Global Instrument upon such Holder's request, in all cases at the cost and expense of the Issuer, unless otherwise specified in the relevant Final Terms. In order to exercise the option contained in part (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Issue and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Instruments and/or Registered Instruments and such default is continuing at 6.00 p.m. (Luxembourg time) on the thirtieth day after the day on which the relevant notice period expires or, as the case may be, such Permanent Global Instrument becomes so exchangeable, such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

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

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

#### ***Form of Registered Instruments***

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

#### ***Denomination of Bearer Instruments***

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

#### ***US Tax Legend***

1.09 Each Instrument in bearer form with an original maturity of more than 1 year will bear the following legend: "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."

#### ***Denomination of Registered Instruments***

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

#### ***Currency of Instruments***

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

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

## 2. Title

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

2.02 Title to Registered Instruments passes by registration in the register which is kept by the Registrar. References herein to the "**Holders**" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

2.03 The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

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

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

2.05 If so specified in the relevant Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Issue and Paying Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.06) where the exchange date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 8B.03) for such payment of interest and the date on which such payment of interest falls due.

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

For the purposes of these Terms and Conditions,

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

- (iii) the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.04 and all reasonable requirements of the Issuer and the Registrar shall have been satisfied in respect of such transfer.

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

### 3. **Status of the Instruments and the Guarantee**

#### ***Status of Senior Instruments***

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

3.01 The Senior Instruments (being those Instruments which specify their status as Senior), and the Receipts and Coupons relating to them, constitute direct, unconditional, unsubordinated and unsecured obligations of Santander International and, upon the insolvency of Santander International (and unless they qualify as subordinated claims pursuant to Article 92 of Law 22/2003 (*Ley Concursal*) of 9 July 2003 (the "**Insolvency Law**" or "**Law 22/2003**") or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without preference among themselves and the payment obligations of Santander International under the Senior Instruments, Receipts and Coupons related to them rank at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations involving or otherwise related to borrowed money of Santander International, present or future.

#### ***Senior Guarantee***

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

3.02 The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, Receipts and Coupons on an unsubordinated basis.

The obligations of the Guarantor in respect of Senior Instruments under the Senior Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without preference among such obligations of the Guarantor in respect of Senior Instruments and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the Senior Guarantee.

#### ***Status of Subordinated Instruments***

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

3.03 **Status of Subordinated Instruments:** The Subordinated Instruments (being Instruments which specify their status as Subordinated) constitute direct, unconditional, subordinated and unsecured obligations of Santander Issuances and, upon the insolvency of Santander Issuances (and unless they qualify as subordinated claims pursuant to the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank, under Article 92.2 of the Insolvency Law (or equivalent legal provisions which replace, substitute or amend it in the future), *pari passu* without preference or priority among themselves and:

- (i) *pari passu* with all other contractually subordinated obligations of Santander Issuances (other than (1) those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law, or equivalent legal provisions which replace them in the future, (2) other subordinated obligations which by law or their terms rank junior to the Subordinated Instruments and (3) any Senior Subordinated Obligations (as defined below)); and

(ii) junior to any non-subordinated obligations of Santander Issuances, any Senior Subordinated Obligations (as defined below) and any claim on Santander Issuances, which becomes subordinated as a consequence of article 92.1º of the Insolvency Law.

In these Conditions "**Senior Subordinated Obligations**" means any subordinated obligations of Santander Issuances which by law and/or their terms rank senior to the Subordinated Instruments, and/or to any subordinated obligations of Santander Issuances ranking pari passu with the Subordinated Instruments..

#### ***Subordinated Guarantee***

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

3.04 The Guarantor shall, on or before the date of issue (as specified in the relevant Final Terms) of any Subordinated Instruments, execute a guarantee in the form scheduled to the Base Prospectus dated 15 June 2015 (each, a "**Subordinated Guarantee**").

Pursuant to each Subordinated Guarantee, the Guarantor will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments.

The obligations of the Guarantor under the Subordinated Guarantees in respect of the relevant Subordinated Instruments constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor which, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to the Insolvency Law or equivalent legal provision which replace them in the future, and subject to any applicable legal and statutory exceptions) shall rank, under Article 92.2 of the Insolvency Law (or equivalent legal provisions which replace, substitute or amend it in the future),

(i) pari passu with all other contractually subordinated obligations of the Guarantor (other than (1) those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, (2) other subordinated obligations which by law or their terms rank junior to the Guarantor's obligations under the Subordinated Guarantees and (3) any other subordinated obligations which by law and/or their terms, and to the extent permitted by Spanish law, rank senior to the Guarantor's obligations under the Subordinated Guarantees and/or to any subordinated obligations of the Guarantor ranking pari passu with the Subordinated Guarantees); and

(ii) junior to any non-subordinated obligations of the Guarantor, any other subordinated obligations which by law and/or their terms, and to the extent permitted by Spanish law, rank senior to the Guarantor's obligations under the Subordinated Guarantees, and any claim on the Guarantor, which becomes subordinated as a consequence of article 92.1º of the Insolvency Law.

#### **4. Interest**

Instruments will be interest-bearing. The Final Terms in relation to each Tranche of Instruments shall specify which of Condition 4A, 4B, 4C and/or 4D shall be applicable and Condition 4E will be applicable to each Tranche of Instruments as specified therein save, in each case, to the extent inconsistent with the relevant Final Terms. In relation to any Tranche of Instruments, the relevant Final Terms may specify actual amounts of interest payable rather than, or in addition to, a rate or rates at which interest accrues.

##### **4A Interest — Fixed Rate**

*This Condition 4A applies to Fixed Rate Instruments only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4A and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Fixed Rate Instruments.*

Instruments in relation to which this Condition 4A is specified in the relevant Final Terms as being applicable shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) specified in the relevant Final Terms. Such interest will be payable in arrear on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof.

Interest in respect of a period of less than one year will be calculated on such basis as may be specified in the relevant Final Terms.

#### **4B Interest — Reset Instruments**

*This Condition 4B applies to Reset Instruments only. The applicable Final Terms contains provisions applicable to the determination of reset rate interest and must be read in conjunction with this Condition 4B and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Reset Instruments.*

##### ***Rates of Interest and Interest Payment Dates***

4B.01 Instruments in relation to which this Condition 4B is specified in the relevant Final Terms as being applicable shall bear interest:

- (A) from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (B) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (C) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof. Interest in respect of a period of less than one year will be calculated on such basis as may be specified in the relevant Final Terms.

For the purposes of these Terms and Conditions:

“**First Margin**” means the margin specified as such in the applicable Final Terms;

“**First Reset Date**” means the date specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

“**First Reset Period**” means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

“**First Reset Rate of Interest**” means, in respect of the First Reset Period and subject to Condition 4B.02, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

“**Initial Rate of Interest**” has the meaning specified in the applicable Final Terms;

“**Mid-Market Swap Rate**” means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration specified in the relevant Final Terms (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

“**Mid-Market Swap Rate Quotation**” means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**“Mid-Swap Floating Leg Benchmark Rate”** means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro;

**“Mid-Swap Rate”** means, in relation to a Reset Determination Date and subject to Condition 4B.02, either:

- (i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

- (A) with a term equal to the relevant Reset Period; and

- (B) commencing on the relevant Reset Date,

- which appears on the Relevant Screen Page or such replacement page on that service which displays the information; or

- (ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the bid and offered swap rate quotations for swaps in the Specified Currency:

- (A) with a term equal to the relevant Reset Period; and

- (B) commencing on the relevant Reset Date,

- which appear on the Relevant Screen Page or such replacement page on that service which displays the information,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

**“Reset Instruments Rate of Interest”** means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

**“Reset Business Day”** means a day on which commercial banks are open for business and foreign exchange markets settle payments in any Reset Business Centre specified in the relevant Final Terms;

**“Reset Date”** means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

**“Reset Determination Date”** means, in respect of the First Reset Period, the second Reset Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Reset Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Reset Business Day prior to the first day of each such Subsequent Reset Period;

**“Reset Period”** means the First Reset Period or a Subsequent Reset Period, as the case may be;

**“Second Reset Date”** means the date specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

**“Subsequent Margin”** means the margin specified as such in the applicable Final Terms;

**“Subsequent Reset Date”** means the date or dates specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

**“Subsequent Reset Period”** means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

**“Subsequent Reset Rate of Interest”** means, in respect of any Subsequent Reset Period and subject to Condition 4B.02, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.



#### **4B.02 Fallbacks**

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be the sum of the relevant Mid-Market Swap Rate Quotation (rounded, if necessary, to the nearest 0.001 per cent (0.0005 per cent. being rounded upwards)) and the First or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be (i) the rate determined on the previous Reset Determination Date (if any) or (ii) determined by the Calculation Agent following consultation with the Issuer.

For the purposes of this Condition 4B.02 “**Reference Banks**” means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

#### **4C Interest — Floating Rate Instruments, CMS-Linked Instruments and Variable Interest Rate Instruments**

*This Condition 4C applies to Floating Rate Instruments, CMS-Linked Instruments and Variable Interest Rate Instruments. The applicable Final Terms contains provisions applicable to the determination of interest in respect of such Instruments and must be read in conjunction with this Condition 4C and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Floating Rate Instruments, CMS-Linked Instruments and Variable Interest Rate Instruments. In particular in respect of Variable Interest Instruments, the applicable Final Terms will identify those items specified in the applicable paragraph of the Payout Annex.*

4C.01 Instruments in relation to which this Condition 4C is specified in the relevant Final Terms as being applicable, shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) determined in accordance with this Condition 4C. Condition 4E.01 shall apply to Instruments to which this Condition 4C applies. The Rate of Interest payable from time to time in respect of Floating Rate Instruments and CMS-Linked Instruments will be determined in the manner specified in the applicable Final Terms. The Rate of Interest payable from time to time in respect of Variable Interest Instruments will be determined in accordance with the relevant paragraph of the Payout Annex.

4C.02 Such Instruments shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms. Such interest will be payable in arrear on each Interest Payment Date (as defined in Condition 4E.01) and on the maturity date.

#### 4C.03 Screen Rate Determination

If “**Screen Rate Determination**” is specified in the relevant Final Terms as the manner in which the rate(s) of interest (the “**Rate of Interest**”) is/are to be determined, the Rate of Interest applicable to such Instruments for each Interest Period will be determined by the Calculation Agent (as defined in Condition 4E.03) on the following basis:

- (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date.
- (B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (C) if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (2) determine the arithmetic mean of such quotations; and
- (D) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Relevant Financial Centre (or in the case of Instruments denominated in Euro, in such financial centre(s) as the Calculation Agent may select), selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Relevant Financial Centre or local time at such other financial centre(s) as aforesaid) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time;

and the Rate for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Instruments in respect of a preceding Interest Period.

**4C.04 ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate applicable to the Instruments for each Interest Period will be the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the 2006 Definitions of the International Swaps and Derivatives Association, Inc. (the “**ISDA Definitions**”) (as amended and updated as at the date specified in the relevant Final Terms) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

4C.05 **Rate of Interest:** The Rate of Interest in relation to the Instruments shall be determined as follows:

- (A) If "Margin Plus Rate" is specified as applicable in the applicable Final Terms, the Rate of Interest will be equal to the Margin plus the Rate;
- (B) If "Specified Percentage Multiplied by Rate" is specified in the applicable Final Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by the Rate; or
- (C) If "Difference in Rates" is specified in the applicable Final Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by (Rate– Rate 2), each of Rate and Rate 2 to be determined in accordance with Condition 4C.03 or with Condition 4C.04 as applicable.

4C.06 **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the Maximum Rate of Interest or be less than the Minimum Rate of Interest so specified.

4C.07 **CMS Linked Interest Provisions:** If the CMS-Linked Interest Instruments Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) applicable to the Instruments for each Interest Period will be the constant maturity swap rate specified in the relevant Final Terms.

4C.08 **Step-up Provisions:** If the Step-up Provisions are specified in the relevant Final Terms as being applicable, if the Barrier Condition is met, the interest rate applicable to Senior Instruments will be increased by the relevant percentage (the "**Step-up**") as specified in the applicable Final Terms with effect from, and including, the Interest Payment Date immediately following the date the Barrier Condition was met provided that, if the Barrier Condition ceases to apply, the Step-up shall no longer apply from, and including, the Interest Payment Date immediately following the date the Barrier Condition ceased to apply.

If as described in the paragraph above a Step-up comes into effect or subsequently no longer applies, then the Issuer shall, without undue delay, after becoming aware thereof, give notice of the Step-up or disapplication thereof, to the Holders in accordance with Condition 13 (*Notices*).

In the case of Subordinated Instruments which qualify as regulatory capital (*recursos propios*), the Step-up shall take place in accordance with the requirements of Spanish law (including for this purpose Bank of Spain's (the **Regulator**) regulations in so far as the relevant Issuer seeks to maintain eligibility of such instruments as regulatory capital).

4C.09 The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the principal amount of the smallest or minimum denomination of such Instruments specified in the relevant Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by a fraction (day count fraction) the numerator of which is the actual number of days in the Interest Period concerned and the denominator for which is 360 (or, in the case of Instruments denominated in Sterling, 365 or, when all or part of an Interest Period falls in a leap year, 366 for that proportion of the Interest Period so falling) or by such other day count fraction as may be specified in the relevant Final Terms and rounding the resulting figure to the nearest sub-unit of the currency in which such Instruments are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

#### 4D **Equity Index-Linked Interest Instruments Provisions and Inflation-Linked Interest Instruments Provisions**

4D.01 **Equity Index-Linked Interest Instruments Provisions:** If the Equity Index-Linked Interest Instruments Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Instruments for each Interest Period will be determined in the manner specified in the Equity Index-Linked Interest Instruments Annex.

4D.02 **Inflation-Linked Interest Instruments Provisions:** If the Inflation-Linked Interest Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Instruments for each Interest Period will be determined in the manner specified in the Inflation-Linked Interest Instruments Annex.

#### 4E Interest — Supplemental Provision

##### *Interest Payment Date Conventions and other Calculations*

4E.01(a) **Business Day Convention:** The Final Terms in relation to each Series of Instruments in relation to which this Condition 4E.01 is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

- (i) the "**FRN Convention**", in which case interest shall be payable in arrear on each date (each an "**Interest Payment Date**") which numerically corresponds to their date of issue or such other date as may be specified in the relevant Final Terms or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Final Terms after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred *provided that*:
    - (a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined in Condition 8C.03) in that calendar month;
    - (b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
    - (c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;
  - (ii) the "**Modified Following Business Day Convention**", in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms *provided that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day;
  - (iii) the "**Following Business Day Convention**" in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms *provided that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day; or
  - (iv) "**No Adjustment**" in which case the relevant date shall not be adjusted in accordance with any Business Day Convention.
- (b) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), such day count fraction as may be specified in the Final Terms and:
- (i) if "**Actual/Actual**", "**Actual/Actual (ISDA)**", "**Act/Act**" or "**Act/Act (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (ii) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is so specified, means a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "**ICMA Rule Book**"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non U.S. dollars denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period;
- (iv) if "**Actual/360**", "**Act/360**" or "**A/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Calculation 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Calculation 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

- (vii) if "30E/360 (ISDA)" is specified, the number of days in the Calculation 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Termination Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

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

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

4E.02 The Calculation Agent will cause each Rate of Interest, Reset Instruments Rate of Interest floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Issue and Paying Agent. The Issue and Paying Agent will cause all such determination or calculations to be notified to the other Paying Agents and, in the case of Registered Instruments, the Registrar (from whose respective specified offices such information will be available) and to the Holders in accordance with Condition 13 as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or, if earlier, in the case of notification to any listing authority, stock exchange and/or quotation system, the time required by the rules of any such listing authority, stock exchange and/or quotation system. The Issue and Paying Agent will cause all such determinations or calculations to be notified to the Irish Stock Exchange no later than the first day of each Interest Period. The Calculation Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior

notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 4D.02.

4E.03 The determination by the Calculation Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties.

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

#### **Accrual of Interest**

4E.04 Interest shall accrue on the principal amount of each Instrument or, in the case of an Instalment Instrument, on each instalment of principal, on the paid up principal amount of such Instrument or otherwise as indicated in the Final Terms from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) due presentation or surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Instruments or such other rate as may be specified in the relevant Final Terms (the "**Default Rate**") until the earlier of (i) the date on which, upon due presentation of the relevant Instrument (if required), the relevant payment is made or (ii) (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) the seventh day after the date on which notice is given to the Holders in accordance with Condition 13 that the Issue and Paying Agent or the Registrar (as the case may be) has received the funds required to make such payment (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

#### **5. Redemption and Purchase**

##### ***Redemption at Maturity***

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

For the purposes of these Terms and Conditions:

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy applicable to the Guarantor and/or the Group including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Regulator (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Guarantor and/or the Group).

"**Regulator**" means the Bank of Spain or such other governmental authority which assumes or performs the functions of the Bank of Spain, as at the Issue Date of the relevant Subordinated Instruments, or such other or successor authority exercising primary bank supervisory authority, in each case with respect to prudential matters in relation to the Guarantor and/or the Group.

### ***Early Redemption for Taxation Reasons***

5.02 If, in relation to any Series of Instruments, (i) as a result of any change in the laws or regulations of Spain or in either case of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Instruments or any earlier date specified in the relevant Final Terms, (a) the relevant Issuer (or, if either the Senior Guarantee or the Subordinated Guarantee was called, the Guarantor) would be required to pay additional amounts as provided in Condition 7 or (b) in the case of Subordinated Instruments, the relevant Issuer would not be entitled to claim a deduction in computing tax liabilities in Spain in respect of any interest to be paid on the next Interest Payment Date or the value of such deduction to the relevant Issuer would be materially reduced or (c) in the case of Subordinated Instruments, the applicable tax treatment of the Subordinated Instrument changes and (ii) such circumstances are evidenced by the delivery by the relevant Issuer or (as the case may be) the Guarantor to the Issue and Paying Agent of a certificate signed by two directors of the relevant Issuer or (as the case may be) the Guarantor stating that the said circumstances prevail and describing the facts leading thereto, an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail and, in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), a copy of the Regulator's consent to the redemption, the relevant Issuer may, at its option and having given no less than thirty nor more than sixty days' notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 13 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments (in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*) in accordance with the requirements of Applicable Banking Regulations in force at the relevant time) comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their principal amount or at such other Early Redemption Amount (Tax) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon *provided, however*, that (i) (in the case of (a) above) no such notice of redemption may be given earlier than 90 days (or, in the case of Instruments which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Instruments plus 60 days) prior to the earliest date on which the relevant Issuer or (as the case may be) the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Instruments then due and (ii) in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), that the Regulator consents to redemption of the Subordinated Instruments.

In the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), redemption for taxation reasons is subject to the prior consent of the Regulator and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

*Article 78(4) provides that the Regulator may only permit the redemption of Subordinated Instruments before the fifth anniversary of the Issue Date for taxation reasons if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) (as described below), there is a change in the applicable tax treatment of the instruments and the institution demonstrates to the satisfaction of the Regulator that such change is material and was not reasonably foreseeable at the Issue Date.*

### ***Early Redemption for Capital Disqualification Event***

5.03 If, in relation to any Series of Subordinated Instruments, (i) there is a change in Spanish law, Applicable Banking Regulations or any change in the application or official interpretation thereof that results in the entire outstanding aggregate principal amount of the relevant Subordinated Instruments ceasing to be included in, or counting towards, the Guarantor's and/or the Group's Tier 2 Capital and (ii) such circumstances are evidenced by the delivery by the relevant Issuer or (as the case may be) the Guarantor to the Issue and Paying Agent of a certificate signed by two directors of the Guarantor stating that the said circumstances prevail and describing the facts leading thereto and a copy of the Regulator's consent to the redemption, the relevant Issuer may, at its option and having given no less than thirty nor more than sixty days' notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 13 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments in accordance with the



requirements of Applicable Banking Regulations in force at the relevant time) comprising the relevant Series at their early capital disqualification event redemption amount (the "**Early Redemption Amount (Capital Disqualification Event)**") (which shall be their principal amount or at such other Early Redemption Amount (Capital Disqualification Event) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon *provided, however*, that the Regulator consents to redemption of the Subordinated Instruments.

Redemption for regulatory reasons is subject to the prior consent of the Regulator and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

*Article 78(4) provides that the Regulator may only permit the redemption of Subordinated Instruments before the fifth anniversary of the Issue Date for regulatory reasons if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) (as described below), there is a change in the regulatory classification of the instruments that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, the Regulator considers such change to be sufficiently certain and the institution demonstrates to the satisfaction of the Regulator that the regulatory classification was not reasonably foreseeable at the Issue Date.*

*Where "CRR" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 or such other regulation as may come into effect in place thereof.*

For the purposes of these Terms and Conditions:

"**Tier 2 Capital**" has the meaning given to such term in Applicable Banking Regulations from time to time.

#### ***Optional Early Redemption (Call)***

5.04 If this Condition 5.04 is specified in the relevant Final Terms as being applicable, then the relevant Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms (and subject, in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*) to the prior consent of the Regulator) redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their principal amount or such other Early Redemption Amount (Call) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon.

In the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), redemption at the option of the relevant Issuer is subject to the prior consent of the Regulator and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

*Article 78(1) of the CRR provides that the Regulator will give its consent to a redemption of Subordinated Instruments in such circumstances provided that either of the following conditions is met:*

- (a) on or before such redemption of the Subordinated Instruments, the institution replaces the Subordinated Instruments with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the institution; or*
- (b) the institution has demonstrated to the satisfaction of the Regulator that its own funds would, following such redemption, exceed the requirements laid down in Article 92(1) of the CRR and the combined buffer requirement as defined in point (6) of Article 128 of the CRD IV Directive by a margin that the Regulator may consider necessary on the basis of Article 104(3) of the CRD IV Directive.*

*Where "CRD IV Directive" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 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 or such other directive as may come into effect in place thereof.*

5.05 The appropriate notice referred to in Condition 5.04 is a notice given by the relevant Issuer to the Issue and Paying Agent, the Registrar (in the case of Registered Instruments) and the Holders of the Instruments of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

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

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

#### ***Partial Redemption***

5.06 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 5.04:

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

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

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 1.04 to 1.09 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

In connection with an exercise of the option contained in Condition 5.04 (*Optional Early Redemption (Call)*) in relation to some only of the Instruments, the Permanent Global Instrument may be redeemed in part in the principal amount specified by the Issuer in accordance with the Terms and Conditions and the Instruments to be redeemed will not be selected as provided in the Terms and Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

In the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*) partial redemption is subject to the prior consent of the Regulator and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

### ***Optional Early Redemption (Put)***

5.07 If this Condition 5.07 is specified in the relevant Final Terms as being applicable to the Senior Instruments, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date or the dates specified in the relevant Final Terms at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its principal amount or such other Early Redemption Amount (Put) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than sixty days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Instrument (together, in the case of a Definitive Instrument, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

The Early Redemption (Put) shall not apply in the case of Subordinated Instruments and holders of Subordinated Instruments may not redeem such Subordinated Instruments prior to the Maturity Date.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 1.04 to 1.09 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

The Holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of an exercise by the Issuer of its option to redeem such Instrument under either Conditions 5.02, 5.03 or 5.04.

### ***Redemption by Instalments***

5.08 Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Instrument which provides for Instalment Dates and Instalment Amounts in the relevant Final Terms will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Instrument shall be reduced by the Instalment Amount for all purposes.

### ***Cancellation of Redeemed Instruments***

5.09 All unmatured Instruments and Coupons and unexchanged Talons redeemed (*amortizados*) will be cancelled forthwith and may not be reissued or resold.

### ***Purchase of Instruments***

5.10 The Issuers and the Guarantor and any of their respective subsidiaries or any third party designated by any of them, may at any time purchase Instruments in the open market or otherwise and at any price *provided that*, in the case of Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith.

In the case of Subordinated Instruments which qualify as regulatory capital (*recursos propios*), the purchase of the Instruments by the Issuer or any of its subsidiaries shall take place in accordance with Applicable Banking Regulations in force at the relevant time.

*Under the current Applicable Banking Regulations an institution requires the prior permission of the Regulator (Article 77(b) of CRR) to effect the repurchase of Tier 2 instruments, and these may not be repurchased before five years after the date of issuance (Article 63(j) of CRR).*

### ***Further Provisions applicable to Redemption Amount and Instalment Amounts***

5.11 The provisions of Condition 4E.02 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent.

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

### ***Notices***

5.13 Notices of early redemption (whether full or partial) of Instruments shall be given in accordance with Condition 13 (*Notices*).

### ***Notification of Irish Stock Exchange***

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

## **6. Events of Default**

### **Events of Default for Senior Instruments**

6.01 Unless otherwise specified in the relevant Final Terms, if, in the case of Senior Instruments, any of the following events occurs and is continuing (each an "**Event of Default**"), such Event of Default shall be an acceleration event in relation to the Senior Instruments of any Series, namely:

- (i) *Non-payment*: if default is made in the payment of any interest or principal due in respect of the Senior Instruments of the relevant Series or any of them and such default continues for a period of seven days (or such other period as may be specified in the relevant Final Terms); or
- (ii) *Breach of other obligations*: if the relevant Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Senior Instruments of the relevant Series, the relevant Guarantee or the Issue and Paying Agency Agreement and (except in any case where such failure is incapable of remedy when no such continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days next following the service by the relevant Commissioner (as defined in Condition 12 below) on the relevant Issuer of a notice requiring the same to be remedied; or
- (iii) *Winding up*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the relevant Issuer or the Guarantor (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Senior Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Senior Instruments, *provided that* any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the relevant Issuer or the Guarantor, as the case may be, at the time of such merger); or
- (iv) *Cessation of business*: if the relevant Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Senior Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Senior Instruments, *provided that* any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the relevant Issuer or the Guarantor, as the case may be, at the time of such merger), or the relevant Issuer or the Guarantor

stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class thereof) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (v) *Insolvency proceedings*: if (a) proceedings are initiated against the relevant Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant Issuer or the Guarantor or in relation to the whole or a part of the undertaking or assets of either of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of either of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets or any of them and (b) in any case is not discharged within 14 days; or
- (vi) *Arrangements with creditors*: if the relevant Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (vii) *Guarantee*: if any of the Senior Guarantee or the Subordinated Guarantee ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under either the Senior Guarantee or the Subordinated Guarantee or either the Senior Guarantee or the Subordinated Guarantee is claimed by the relevant Issuer or the Guarantor not to be in full force and effect.

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

#### **Events of Default for Subordinated Instruments**

- 6.03 Unless otherwise specified in the relevant Final Terms, if, in the case of Subordinated Instruments, any of the following events occurs and is continuing (each an "**Event of Default**"), such Event of Default shall be an acceleration event in relation to the Subordinated Instruments of any Series, namely:
- (i) *Non-payment*: If default is made in the payment of any interest or principal due in respect of the Subordinated Instruments of the relevant Series or any of them and such default continues for a period of seven days (or such other period as may be specified in the relevant Final Terms) then, (i) the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Holders of Subordinated Instruments, in respect of all Subordinated Instruments of the relevant Series, or (ii) unless there has been a resolution to the contrary by the relevant Syndicate of Holders of Subordinated Instruments (which resolution shall be binding on all Holders of Subordinated

Instruments), any Holder of Subordinated Instruments in respect of the Subordinated Instruments held by such Holder, may institute proceedings for the winding up or dissolution of the relevant Issuer or the Guarantor but may take no further action in respect of such default.

- (ii) *Winding up*: If any order is made by any competent court or resolution passed for the winding up or dissolution of the relevant Issuer or the Guarantor (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Subordinated Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Subordinated Instruments, provided that any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the relevant Issuer or the Guarantor, as the case may be, at the time of such merger) then, (i) the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Holders of Subordinated Instruments, in respect of all Subordinated Instruments of the relevant Series, or (ii) unless there has been a resolution to the contrary by the relevant Syndicate of Holders of Subordinated Instruments (which resolution shall be binding on all Holders of Subordinated Instruments), any Holder of Subordinated Instruments in respect of the Subordinated Instruments held by such Holder, may declare such Subordinated Instruments immediately due and payable whereupon the relevant Subordinated Instruments shall, when permitted by applicable Spanish law, become immediately due and payable at their Early Termination Amount (as described in Condition 6.02 above) together with all interest (if any) accrued thereon.
- (iii) Without prejudice to paragraphs (i) and (ii) above, (i) the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Holders of Subordinated Instruments, in respect of all Subordinated Instruments of the relevant Series, or (ii) unless there has been a resolution to the contrary by the relevant Syndicate of Holders of Subordinated Instruments (which resolution shall be binding on all Holders of Subordinated Instruments), any Holder of Subordinated Instruments in respect of the Subordinated Instruments held by such Holder, may, at its discretion and without further notice, institute such proceedings against the relevant Issuer or the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the relevant Issuer or the Guarantor under the Subordinated Instruments or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Subordinated Instruments), provided that neither the relevant Issuer nor the Guarantor shall as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Subordinated Instruments sooner than the same would otherwise have been payable by it or any damages.

## **7. Taxation**

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

7.02 Neither the relevant Issuer nor the Guarantor shall be required to pay any additional amounts as referred to in Condition 7.01 in relation to any payment in respect of any Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder of an Instrument or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with Spain other than the mere holding of such Instrument or Coupon; or

- (ii) to, or to a third party on behalf of, a Holder in respect of whose Instruments the relevant Issuer or the Guarantor does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or
- (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
- (iv) where the withholding or deduction referred to in Condition 7.01 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive; or
- (v) presented for payment by or on behalf of a Holder of an Instrument or Coupon who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the European Union; or
- (vi) to, or to a third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain; or
- (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax if the Spanish tax authorities determine that the Instruments do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

All payments in respect of the Instruments 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, (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 (including the intergovernmental agreement between the United States and Spain on the implementation of FATCA) and, accordingly, none of the Issuers or the Guarantor shall be required to pay any additional amounts under 7.01 above, or (iii) any withholding or deduction required pursuant to Section 871(m) of the Code.

7.03 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders of Instruments and Coupons, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 13.

7.04 Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 4 and any other amounts in the nature of interest payable to these Terms and Conditions.

## 8. **Payments**

### 8A **Payments — Bearer Instruments**

8A.01 This Condition 8A is applicable in relation to Instruments in bearer form.

8A.02 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents.

8A.03 Payment of amounts in respect of interest on Bearer Instruments will be made:

- (i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of any of the Paying Agents outside (unless Condition 8A.04 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;
- (ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of any of the Paying Agents outside (unless Condition 8A.04 applies) the United States; and
- (iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 8A.04 applies) the United States.

8A.04 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 8A.04 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If parts (a) and (b) of the previous sentence apply, the relevant Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

8A.05 If the due date for payment of any amount due in respect of any Bearer Instrument is not a Relevant Financial Centre Day (as defined in Condition 8C.03) and (in the case of Definitive Instruments only) a local banking day (as defined in Condition 8C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the relevant Final Terms) and, thereafter will be entitled to receive payment on a Relevant Financial Centre Day and (in the case of Definitive Instruments only) a local banking day and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4D.04.

8A.06 Each Definitive Instrument initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

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



The provisions of paragraph (i) of this Condition 8A.06 notwithstanding, if any Definitive Instruments which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

8A.07 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 8A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 9 below. Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

8A.08 For the purposes of these Terms and Conditions, the "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

#### 8B. Payments — Registered Instruments

8B.01 This Condition 8B is applicable in relation to Instruments in registered form.

8B.02 Payment of amounts (whether principal, redemption amount or otherwise and including accrued interest) due in respect of Registered Instruments on the final redemption of Registered Instruments will be made against presentation and, save in the case of partial payment of the amount due upon final redemption by reason of insufficiency of funds, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the final redemption amount of any Registered Instrument is not both a Relevant Financial Centre Day (as defined in Condition 8C.03) and a local banking day (as defined in Condition 8C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4D.04.

8B.03 Payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of the final redemption of Registered Instruments) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at close of business (local time in the place of the specified office of the Registrar) on the Relevant Banking Day (as defined in Condition 2.06) before the due date for such payment for the Definitive Instruments or the day before if in global form (the "**Record Date**").

8B.04 Notwithstanding the provisions of Condition 8C.02, payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of final redemption of Registered Instruments) in respect of Registered Instruments will be made by cheque and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on

the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4E.04.

## **8C Payments — General Provisions**

8C.01 Save as otherwise specified herein, this Condition 8C is applicable in relation to Instruments whether in bearer or in registered form.

8C.02 Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due by (a) cheque or (b) at the option of the payee, transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 7, be subject in all cases to any applicable fiscal or other laws and regulations.

8C.03 For the purposes of these Terms and Conditions, save as otherwise defined, the following terms shall have the meaning set out below:

- (i) **"Business Day"** means a day:
  - in relation to Instruments denominated or payable in euro which is a TARGET Business Day; and
  - in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
  - on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms;
- (ii) **"CMS-Linked Instruments"** means Instruments the payment of interest of which is linked to a constant maturity swap rate.
- (iii) **"Equity Index-Linked Interest Instruments"** means Single Share Index Linked Instruments and Share Index Basket Linked Instruments, each as defined in the Equity Index-Linked Interest Instruments Annex.
- (iv) **"Inflation-Linked Interest Instruments"** means Instruments the payment of interest of which is linked to one or more Inflation Index or Indices as defined in the Inflation-Linked Interest Instruments Annex.
- (v) **"Instalment Amount"** has the meaning given in the relevant Final Terms;
- (vi) **"Instalment Dates"** has the meaning given in the relevant Final Terms;
- (vii) **"Interest Determination Date"** means, with respect to an interest rate and Interest Period, the date specified in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Period if the Relevant Currency is sterling (ii) or the day falling two London Banking Days prior to the first day of such Interest Period if the Relevant Currency is not sterling, or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Period if the Relevant Currency is Euro;
- (viii) **"local banking day"** means a day (other than a Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon;

- (ix) "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.
- (x) "**Margin**" has the meaning given in the relevant Final Terms;
- (xi) "**Maturity Date**" has the meaning given in the relevant Final Terms;
- (xii) "**Maximum Rate of Interest**" has the meaning given in the relevant Final Terms;
- (xiii) "**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms;
- (xiv) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
- (xv) "**Reference Banks**" means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate. The Reference Banks shall not include the Calculation Agent;
- (xvi) "**Reference Rate**" means one of (i) the London inter-bank offered rate (**LIBOR**) and (ii) the Euro Interbank Offered Rate (**EURIBOR**), as specified in the relevant Final Terms;
- (xvii) "**Relevant Financial Centre**" means such financial centre or centres as may be specified in the relevant Final Terms. If no financial centre or centres is specified in the relevant Final Terms, this term will have the meaning given in the ISDA Definitions;
- (xviii) "**Relevant Financial Centre Day**" means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre (which in the case of Australian dollars shall be Melbourne and which in the case of New Zealand dollars shall be Wellington) and in any other place specified in the relevant Final Terms and in the case of payment in euro, a day which is a TARGET Business Day;
- (xix) "**Relevant Currency**" means the currency specified as Specified Currency in the relevant Final Terms or, if none is specified, the currency in which the Instruments are denominated;
- (xx) "**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;
- (xxi) "**Relevant Time**" has the meaning given in the relevant Final Terms;
- (xxii) "**Specified Denomination**" means, in relation to any Instruments, the denomination of such Instruments specified as such in the relevant Final Terms and expressed as a currency amount;
- (xxiii) "**Specified Percentage**" has the meaning given in the relevant Final Terms;
- (xxiv) "**TARGET Business Day**" means any day on which the TARGET2 System, or any successor thereto, is open for the settlement of payments in euro; and
- (xxv) "**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) payment system which utilises a single shared platform and which was launched on 19 November 2007.

and, in the case of any of paragraphs (i) to (iv) of this Condition 8C.03, as the same may be modified in the relevant Final Terms.

## **9. Prescription**

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

9.02 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 8A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 9 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

## **10. The Paying Agents, the Registrars and the Calculation Agent**

10.01 The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Calculation Agent in respect of any Instruments shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issue and Paying Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent *provided that* it will at all times maintain (i) an Issue and Paying Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the an Issue and Paying Agent) with a specified office in a continental European city, (iv) so long as the Instruments are listed on any stock exchange and/or quotation system, a Paying Agent (which may be the Issue and Paying Agent) and a Registrar each with a specified office in such place as may be required by the rules of such listing authority, stock exchange and/or quotation system, (v) in the circumstances described in Condition 8A.04, a Paying Agent with a specified office in New York City, (vi) a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, this Directive, and (vii) a Calculation Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii), (iii) and (vii) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders of the Instruments in accordance with Condition 13.

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

## **11. Replacement of Instruments**

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

## **12. Syndicate of Holders of the Instruments and Modification**

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

A Commissioner will be appointed for each Syndicate.

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

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

For the purposes of these Terms and Conditions,

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

### 13. Notices

#### ***To Holders of Bearer Instruments***

13.01 Notices to Holders of Bearer Instruments, will be valid if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*) or on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) (so long as such Instruments are listed on the Irish Stock Exchange and the rules of that exchange so require) or, in either case if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe.

In the case of a Temporary Global Instrument or Permanent Global Instrument, there may be substituted for such publication the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and any other relevant clearing systems for communication by them to the persons shown in their respective records as having interests therein *provided that*, in the case of Instruments admitted to listing on any listing authority, stock exchange and/or quotation system, the requirements of such listing authority, stock exchange and/or quotation system, have been complied with.

Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of such delivery to Euroclear and Clearstream, Luxembourg and any other relevant clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

#### ***To Holders of Registered Instruments***

13.02 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth day after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments listed on the Irish Stock Exchange, any notices to Holders must also be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) (so long as such Instruments are listed on the Irish Stock Exchange and the rules of that exchange so require) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

#### ***Notice of a General Meeting of the Syndicate of Holders***

13.03 Notice of a General Meeting of Holders of Instruments of the Relevant Series must be given in accordance with the Regulations.

#### ***To Commissioners***

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

#### ***Notices by any Holder of Instruments***

13.05 Notices to be given by any Holder of Instruments shall be in writing and given by lodging the same, together (in the case of Definitive Instruments) with the relative Instrument, with the Issue and Paying Agent. Whilst any of the Instruments are represented by a Global Instrument, such notice may be given by any Holder of a Instrument to the Issue and Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issue and Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Further Issues**

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

#### **15. Currency Indemnity**

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

#### **16. Waiver and Remedies**

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

#### **17. Law and Jurisdiction**

17.01 The issue of the Instruments, including their legal nature (*obligaciones u otros valores que reconozcan o creen deuda*), the status of the Instruments, the status of the guarantee in respect of the Instruments, the capacity of the Issuers, the relevant corporate resolutions, when required the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law. The terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and, save for, in each case, the status of the guarantee, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee, are governed by English law.

17.02 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or in connection with the Instruments.

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

17.04 Without prejudice to any other mode of service allowed under any relevant law, the Issuers and the Guarantor irrevocably (a) appoint Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London, NW1 3AN as their agent for service of process in relation to any Proceedings or, if different, at any other address of the Guarantor in Great Britain at which service of process may from time to time be served on them and (b) agree that failure by an agent for service of process to notify the Issuers and the Guarantor of the process will not invalidate the Proceedings concerned. If the appointment of the person mentioned in this Condition 17.04 ceases to be effective, the Issuers and the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Issuers and the Guarantor and delivered to the Issuers and the Guarantor or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law. This condition applies to proceedings in England and to proceedings elsewhere.

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

#### 18. **Rights of Third Parties**

Other than or provided for in Condition 2.09, no person shall have any right to enforce any term or condition of any Series of Instruments under the Contracts (Rights of Third Parties) Act 1999.

## PAYOUT ANNEX { TC " PAYOUT ANNEX " \f C \l "1" }

### ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*The terms and conditions applicable to payouts shall comprise the General Terms and Conditions of the Instruments and the additional Terms and Conditions for payouts set out below (the "**Payout Conditions**"), together with any Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Final Terms (together with the General Terms and Conditions, the "**Terms and Conditions**") and, in each case subject to completion in the applicable Final Terms. In particular, certain sections of the Payout Conditions will be set out and completed in the applicable Final Terms. In the event of any inconsistency between the General Terms and Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the Terms and Conditions, and/or the Payout Conditions and (ii) the Final Terms, the Final Terms shall prevail. Defined terms used in this Payout Annex where the same term may be used in another Annex shall have the meanings given in this Payout Annex notwithstanding the same terms being used in another Annex.*

#### 1. VARIABLE INTEREST RATE INSTRUMENTS

##### 1.1 Use of Payout Conditions

These Payout Conditions set out the methodology for determining payouts in respect of Variable Interest Rate Instruments. For Variable Interest Rate Instruments, applicable text (including, where appropriate, section headings and on the basis that inapplicable text need not be included) from, Payout Condition 2, (derived from the relevant Coupon Payout) and Product Definitions will be set out as indicated in the applicable Final Terms.

The Rate of Interest payable from time to time in respect of Variable Interest Rate Instruments will be determined in accordance with the relevant paragraph of this Payout Annex

##### 1.2 Instruments types

The applicable Final Terms will specify whether an Instrument is an Equity Index-Linked Interest Instrument or an Inflation-Linked Interest Instrument.

##### 1.3 Use of *n*, *t* and *i*

Terms used in these Payout Conditions may be attributed a numerical suffix value when included in the applicable Final Terms. The suffix can be denoted as "*n*", "*t*" or "*i*" and the term will be completed on the basis of the number or numbers represented by *n*, *t* or *i*, as chosen at the time of an issue of Instruments. For example, if *n* is 1, Barrier<sub>*n*=1</sub> will appear as "Barrier 1" when set out in the applicable Final Terms. A term from the Product Definitions may be included in the applicable Final Terms section more than once if there is more than one number represented by the term *n*, *t* or *i*.

##### 1.4 Definitions and Interpretation

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Calculation Date**" has the meaning given in the relevant Final Terms;

"**Coupon Payout**" means any payout specified in Payout Condition 2, in each case as extracted, included and completed in the applicable Final Terms.

"**Product Definitions**" means each of the defined terms in Payout Condition 3 below.

"**Specified Interest Payment Date**" has the meaning given in the relevant Final Terms;

"**Variable Interest Rate Instruments**" means Instruments using a Coupon Payout.

#### 2. INTEREST BEARING INSTRUMENTS

##### 2.1 Operative paragraph of the Final Terms



(a) **Paragraph 16 (Fixed Rate Instruments Provisions)**

Subject to any prior purchase and cancellation or early redemption, the Rate of Interest shall be as set out below:

(b) **Paragraph 17 (Floating Rate Instruments Provisions)**

Subject to any prior purchase and cancellation or early redemption, the Interest Amount payable in respect of each Instrument on the relevant Specified Interest Payment Date shall be determined by the Calculation Agent in accordance with the methodology set out below:

(c) **Paragraph 18 (Other Variable Interest Rate Instruments Provisions)**

Subject to any prior purchase and cancellation or early redemption, the Interest Amount payable in respect of each Instrument on the relevant Specified Interest Payment Date shall be determined by the Calculation Agent in accordance with the methodology set out below. Please note that the only provisions relating to the Other Variable Interest Rate Instruments are those included herein.

**2.2 Interest Payment Options**

(a) **Interest Payment Option 1**

Calculation Amount \* Rate of Interest

(b) **Interest Payment Option 2**

(1) If the Barrier Condition is satisfied:

Calculation Amount \* Rate of Interest<sub>n=1</sub>; or

(2) If the Barrier Condition is not satisfied:

Calculation Amount \* Rate of Interest<sub>n=2</sub>

**3. PRODUCT DEFINITIONS**

The Product Definitions below, where incomplete, will be set out and completed in the applicable Final Terms as described in Payout Condition 1 above. Where a table is referred to, the relevant table will be set out in the section of the applicable Final Terms referred to in the relevant Product Definition as completed in the applicable Final Terms. Complete Product Definitions may also be set out in the applicable Final Terms.

For these purposes:

"**Asset**" means in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset, in each case as specified or determined as provided in the applicable Final Terms.

"**Asset Class**" means one or more Shares, Equity Index(ices), Exchange Traded Funds, Inflation Index(ices) or Fixed Income Benchmark (s) as specified in the applicable Final Terms.

"**Asset Early**" [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is] [as specified in the table in [this] paragraph [●] of these Final Terms] [,] [Barrier].

"**Asset Early Performance**" means the [Early Performance] [Early Performance (Call Spread)] [Early Performance (Rolling Lookback)] [Early Weighted Performance] of the [Asset] [Early Laggard] [Early Outperformer].

"**Asset Final**" means [the] [Max] [Min] [Asset Level on the Final Valuation Date] [Average Level] [,] [Observation Level].

"**Asset Final Performance**" means the [Final Performance] [Final Performance (Call Spread)] [Final Performance (Lookback)] [Final Performance (Temporis)] [Final Weighted Performance] [Enhanced Weighted Performance] [Upside Performance] [Downside Performance] [Weighted Performance] of the [Asset] [Final Laggard] [Final Outperformer].

"**Asset Initial**" means [the] [Max] [Min] [Asset Level on the Initial Valuation Date] [Average Level] [Observation Level] [,] [Barrier].

"**Asset Level**" means the [Opening Level] [Closing Level] [Intraday Level] [Observation Level] of the relevant Asset.

"**Asset Lookback**" [means the] [Asset Level [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level], [is as specified in the table in [this] paragraph [●] of these Final Terms].

"**Average Level**" means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Calculation Agent on each Averaging Date.

"**Averaging Date**" means each date specified as such in the applicable Final Terms.

"**Barrier**" means [[●] per cent.] [n \* [●] per cent.] [Asset Initial \* [●] per cent.] [Asset Initial \* n \* [●] per cent.] [Asset Early \* [●] per cent.] [Asset Early \* n \* [●] per cent.] [Asset Lookback \* [●] per cent.] [Asset Lookback \* n \* [●] per cent.].

"**Barrier (Early)**" means:

- (a) where Barrier Condition Early (European) is applicable:  
[[●] per cent.] [n \* [●] per cent.]; or
- (b) where Barrier Condition Early (Bermudan) is applicable:  
[[●] per cent.] [n \* [●] per cent.]; or
- (c) where Barrier Condition Early (American) is applicable:  
[Asset Initial \* [●] per cent.] / [Asset Initial \* [●] per cent. \* n].

"**Barrier (Final)**" means:

- (a) where Barrier Condition Final (European) is applicable, [●] per cent.; or
- (b) where Barrier Condition Final (American) is applicable, Asset Initial \* [●] per cent.

"**Barrier Condition**" shall mean [Barrier Condition Early] [Barrier Condition Final].

"**Barrier Condition Early**" shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].

"**Barrier Condition Early (American)**" shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (Bermudan)**" shall be deemed satisfied if the Calculation Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (European)**" shall be deemed satisfied if the Calculation Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).

**"Barrier Condition Final"** shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].

**"Barrier Condition Final (American)"** shall be deemed satisfied if the Calculation Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).

**"Barrier Condition Final (European)"** shall be deemed satisfied if the Calculation Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] Barrier (Final).

**"Barrier Early Calculation Date"** means [date to be specified] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].

**"Barrier Return"** shall mean an amount determined by the Calculation Agent in accordance with the following methodology:-

- (a) if Asset Final Performance is greater than [or equal to] the Barrier,

[●] per cent.

- (b) if Asset Final Performance is less than [or equal to] the Barrier:

**Max [(Cap +/-) (Participation \* Asset Final Performance)), Floor]**

**"Basket Asset"** means an Asset that is a constituent of a basket of Assets, as specified or determined as provided in the applicable Final Terms.

**"Cap"** means [●] per cent.

**"Closing Level"** means the Closing Level as defined in the Equity Index-Linked Interest Instruments Conditions of the relevant Asset.

**"Downside Performance"** means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Initial} - \text{Asset Final}}{\text{Asset Initial}}$$

**"Early Laggard"** shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the lowest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Laggard acting in good faith and in a commercially reasonable manner.

**"Early Outperformer"** shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the highest calculated Early Performance, as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Calculation Agent shall select any such [Basket] Asset as the Early Outperformer acting in good faith and in a commercially reasonable manner.

**"Early Performance"** means [, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Initial}}$$

**"Early Performance (Call Spread)"** means [, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Initial}} - 1$$

**"Early Performance (Rolling Lookback)"** means [, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Lookback}} - 1$$

**"Early Weighted Performance"** means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{Asset Early} - \text{Asset Initial}}{\text{Asset Initial}}$$

**"Enhanced Weighted Performance"** means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W * \text{Upside Performance}$$

**"ETF"** means (in respect of an ETF Share) an Exchange Traded Fund.

**"ETF Issuer"** means, in respect of an Exchange Traded Fund, the entity specified in the applicable Final Terms as the issuer of that Exchange Traded Fund.

**"ETF Share"** means, in respect of an Exchange Traded Fund, the share, unit or other interest or unit of holding in the ETF Issuer (including, without limitation, any debt security) issued to or held by an investor in respect of the relevant Exchange Traded Fund.

**"Exchange Traded Fund"** means each fund that is specified in the applicable Final Terms as an ETF.

**"Final Laggard"** shall mean the Asset with the lowest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level] as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Laggard acting in good faith and in a commercially reasonable manner.

**"Final Outperformer"** shall mean the Asset with the highest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level], as determined by the Calculation Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Calculation Agent shall select any such Asset as the Final Outperformer acting in good faith and in a commercially reasonable manner.

**"Final Performance"** means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Asset Initial}}$$

**"Final Performance (Call Spread)"** means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Asset Initial}} - 1$$

"**Final Performance (Lookback)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Max}[(\text{Participation} \times \text{Asset Initial}), \text{Observation Level}]}$$

"**Final Performance (Temporis)**" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final} - \text{Asset Lookback}}{\text{Asset Initial}}$$

"**Final Weighted Performance**" means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{Asset Final} - \text{Asset Initial}}{\text{Asset Initial}}$$

**"Fixed Income Benchmark"** shall mean the relevant Rate of Interest specified as such in the applicable Final Terms.

"**Floor**" means [●] per cent.

"**i**" shall mean the corresponding number related to a defined term within the Terms and Conditions as specified in the applicable Final Terms.

"**Intraday Level**" means the level of a Share Index observed by the Calculation Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"**Max**" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

"**Min**" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

"**n**" shall mean the corresponding number related to a defined term within the Terms and Conditions as specified in the applicable Final Terms.

"**Observation Days**" means the total number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period].

"**Observation Level**" shall have the meaning expressed in the applicable Annex for the relevant Asset.

"**Opening Level**" means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official opening level of the Share Index as published by the relevant Share Index Sponsor;
- (b) a Composite Index, the official opening level of such Share Index as published by the relevant Share Index Sponsor; or

in each case as determined by the Calculation Agent.

**"Paid Interest"** means, in respect of an Instrument, the sum of all interest paid in respect of that Instrument from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.

**"Participation"** means [●] per cent.

**"Range Condition"** shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Calculation Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum.]

**"Range Days"** means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.

**"Rate of Interest"** shall mean in connection with the relevant Coupon Payout specified in these Final Terms: *[Insert one of:]*

[[[●] per cent.] [per annum];

Screen Rate Determination;

ISDA Determination;

(n \* [●] per cent.);

[(n \* [●] per cent.)] – Paid Interest;

Max(Floor, Min(Cap, Participation \* Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];

$$\left( [●] \text{ per cent} \times \frac{\text{Range Days}}{\text{Observation Days}} \right); \text{ or}$$

[the applicable percentage rate specified in the table in [this] paragraph [●] of these Final Terms]].

**"Scheduled Observation Date(s)"** means [the date(s) specified as such in these Final Terms] [each Scheduled Trading Day in the Observation Period].

**"Single Asset"** means a single Asset, as specified or determined as provided in the applicable Final Terms.

**"t"** shall mean the corresponding number related to a defined term within the Terms and Conditions as specified in the applicable Final Terms.

**"Upside Performance"** means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Asset Final} - (\text{Barrier} * \text{Asset Initial})}{\text{Asset Initial}}$$

**"Valuation Date"** means [the date(s) specified as such in these Final Terms] [each Scheduled Trading Day in the Observation Period] [and as further described in the applicable Annex for the relevant Asset].

**"W"** means the weighting in respect of the relevant Basket Asset, as specified in the table in [this] paragraph [●] of these Final Terms:

**"Weighted Performance"** means an amount (expressed as a percentage) determined by the Calculation Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W * \text{Final Performance}$$

## EQUITY INDEX-LINKED INTEREST INSTRUMENTS ANNEX { TC "EQUITY INDEX-LINKED INTEREST INSTRUMENTS ANNEX " \f C \l "1" }

*The terms and conditions applicable to Equity Index-Linked Interest Instruments shall comprise the General Terms and Conditions of the Instruments; and the additional terms and conditions set out below (the "**Equity Index-Linked Interest Instruments Conditions**"), together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Final Terms (together with the General Terms and Conditions, the "**Terms and Conditions**") and, in each case subject to completion in the applicable Final Terms. In the event of any inconsistency between the General Terms and Conditions of the Instruments and the Equity Index-Linked Interest Instruments Conditions, the Equity Index-Linked Interest Instruments Conditions shall prevail. In the event of any inconsistency between (i) the General Terms and Conditions of the Instruments and the Equity Index-Linked Interest Instruments Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

*Defined terms used in this Equity Index-Linked Interest Instruments Annex or the related section of the Final Terms, where the same term may be used in another Annex shall have the meanings given in this Equity Index-Linked Interest Instruments Annex or in the section of the Final Terms relating to Equity Index-Linked Interest Instruments notwithstanding the same terms being used in another Annex or section of the Final Terms.*

### 1. PAYMENT PROVISIONS

#### Part 1 – European Call

If Structure 1 is specified as applicable in the Final Terms the following terms will apply:

#### 1. Single Share Index Linked Instruments

**Single Share Index Linked Instruments** means Instruments the payment of interest on which is linked to a single index of Shares not prepared by entities affiliated with the Issuer.

In relation to Single Share Index Linked Instruments only, the following terms will apply.

##### 1.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if the Final Price of the Share Index is higher than Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left( \frac{\text{Final Price} - \text{Strike Price}}{\text{Initial Price}} \right)$$

- (b) if the Final Price of the Share Index is equal to or lower than the Strike Price, Coupon B (which may be zero).

##### 1.2 Redemption

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

##### 1.3 Definitions

**"Coupon B"** means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

**"Coupon B Percentage"** has the meaning given in the relevant Final Terms.

**"Final Price"** means the Official Closing Level of the Share Index on the Final Price Date.

"**Final Price Date**" has the meaning given in the relevant Final Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on Initial Price Date.

"**Initial Price Date**" has the meaning given in the relevant Final Terms.

"**Official Closing Level**" means, on any day, the official closing level of the Share Index.

"**Strike Price**" means a percentage of the Initial Price as specified in the relevant Final Terms.

## 2. Share Index Basket Linked Instruments (Worst of European Call)

**Share Index Basket Linked Instruments** means Instruments the payment of interest on which is linked to a basket of indices of Shares not prepared by entities affiliated with the Issuer.

In relation to Share Index Basket Linked Instruments only, the following terms will apply.

### 2.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) If the Final Price of all the Indices comprised in the Basket is higher than the relevant Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left( \frac{\text{Final Price}_{(a)} - \text{Strike Price}_{(a)}}{\text{Initial Price}_{(a)}} \right)$$

Where:

"**Final Price<sub>(a)</sub>**" is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Initial Price<sub>(a)</sub>**" is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Strike Price<sub>(a)</sub>**" is the Strike Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means  $\left( \frac{\text{Final Price}}{\text{Initial Price}} \right)$

- (b) Otherwise, Coupon B (which may be zero).

### 2.2 Redemption

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

### 2.3 Definitions

"**Basket**" means each and every Share Index specified in the Final Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given in the Final Terms.



"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on the Final Price Date.

"**Final Price Date**" has the meaning given in the Final Terms.

"**Initial Price**" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on Initial Price Date.

"**Initial Price Date**" has the meaning given in the Final Terms.

"**Official Closing Level**" means, on any day, the official closing level of the Share.

"**Strike Price**" means a percentage of the Initial Price as specified in the Final Terms.

## **Part 2 – European Call Up & Out**

If Structure 2 is specified as applicable in the Final Terms the following terms will apply:

### **3. Single Share Index Linked Instruments**

In relation to Single Share Index Linked Instruments only, the following terms will apply.

#### **3.1 Interest Amount**

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index is at any point equal to or higher than Barrier A, Coupon A; or
- (b) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index has never been equal to or higher than Barrier A:
  - (i) if the Final Price of the Share Index is higher than the Initial Price, the following Coupon B:

$$\text{Calculation Amount} \times \left( \frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right)$$

- (ii) if the Final Price of the Share Index is equal to or lower than the Initial Price, Coupon C (which may be zero).

#### **3.2 Redemption**

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

#### **3.3 Definitions**

"**Barrier A**" means a percentage of the Initial Price as specified in the Final Terms.

"**Coupon A Percentage**" has the meaning given in the applicable Final Terms.

"**Coupon A**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage.

"**Coupon C Percentage**" has the meaning given in the applicable Final Terms.

"**Coupon C**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon C Percentage.

"**Final Price Date**" has the meaning given in the applicable Final Terms.

"**Final Price**" means the Official Closing Level of the Share Index on the Final Price Date.

"**Initial Price Date**" has the meaning given in the applicable Final Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on Initial Price Date.

"**Official Closing Level**" means, on any day, the official closing price of the Index.

### Part 3 – Call Spread

If Structure 3 is specified as applicable in the Final Terms the following terms will apply:

#### 4. Share Index Basket Linked Instruments

In relation to Share Index Basket Linked Instruments only, the following terms will apply.

##### 4.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

$$\text{Calculation Amount} \times \min \left( \text{Cap Level}; \frac{\sum_{i=1}^J \frac{\text{Final Price}_i - \text{Initial Price}_i}{\text{Initial Price}_i}}{J} \right)$$

Where:

"**Final Price<sub>i</sub>**" is the Final Price of the Share Index<sub>i</sub>.

"**Initial Price<sub>i</sub>**" is the Initial Price of the Share Index<sub>i</sub>.

"**J**" is the total number of Shares comprised in the Basket.

##### 4.2 Redemption

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

##### 4.3 Definitions

"**Basket**" means each and every Share Index specified in the applicable Final Terms.

"**Cap Level**" has the meaning given to it in the applicable Final Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Final Price Date.

"**Final Price Date**" has the meaning given to it in the applicable Final Terms.

"**Initial Price**" means the maximum Official Closing Level of all the Share Indices comprised in the Basket during the Initial Price Determination Period.

"**Initial Price Determination Period**" has the meaning given to it in the applicable Final Terms.

"**Official Closing Level**" means on any day, the official closing level of a Share Index.

## 2. **DISRUPTION, ADJUSTMENTS AND EXTRAORDINARY EVENTS**

### **Part 1**

#### **Single Share Index Linked Instruments**

This Part 1 (*Single Share Index Linked Instruments*) is applicable only in relation to Instruments specified in the applicable Final Terms as being Single Share Index Linked Instruments.

### 1. **Definitions**

**Composite Index** means any Share Index in respect of which the securities comprising such Share Index are listed, traded or quoted on more than one exchange or quotation system as determined by the Calculation Agent and provided that, notwithstanding this definition, the Calculation Agent may elect to treat a Share Index as a Non-Composite Index if it determines this is appropriate.

**Closing Level** means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official closing level of the Share Index as published by the relevant Share Index Sponsor;
- (b) a Composite Index, the official closing level of such Share Index as published by the relevant Share Index Sponsor; or

in each case as determined by the Calculation Agent.

**Exchange:** means (a) In the case of a Composite Index in respect of each component security of the Share Index (each, a "**Component Security**"), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent; and (b) in the case of any Non-Composite Index, the relevant exchange or quotation system specified for such Share Index in the applicable Final Terms or if no such exchange or quotation system is specified for such Share Index in the Final Terms, the exchange or quotation system on which all or substantially all relevant Component Securities are listed (being for the avoidance of doubt, where any Component Security has more than one listing, the exchange or quotation system used by the relevant Share Index Sponsor for the purposes of valuing the relevant price of such Component Security).

**Exchange Business Day:** means any Scheduled Trading Day on which: (a) in respect of a Non-Composite Index, the relevant Exchange and each relevant Related Exchange (if any) in respect of such Share Index is open for trading during its regular trading session, notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of a Composite Index (i) the Share Index Sponsor publishes the level of the Share Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

**Exchange Business Day Convention:** means any of the following, as specified in the applicable Final Terms:

- **Following Business Day Convention:** if the date specified as Valuation Date in the applicable Final Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day.
- **Modified Following Business Day Convention:** if the date specified as Valuation Date in the applicable Final Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day unless that day falls in the next calendar

month, in which case the Valuation Date will be the first preceding day that is an Exchange Business Day.

**Final Valuation Date** means the date specified as the Final Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

**Initial Valuation Date** means the date specified as the Initial Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

**Non-Composite Index** means a Share Index that is not a Composite Index (together "**Non-Composite Indices**").

**Observation Period** means the period specified as the Observation Period in the applicable Final Terms.

**Related Exchange:** means in respect of a Share Index, each exchange or quotation system specified as such in the Applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures options contracts relating to such Share Index or such temporary substitute exchange or quotation system as on the original Related Exchange).

**Scheduled Closing Time:** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day:** means any day on which: (a) in respect of a Share Index other than a Composite Index, the relevant Exchange and each Related Exchange (if any) is scheduled to be open for trading during its regular trading session, and (b) in respect of a Composite Index (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**Share Index** has the meaning set out in the applicable Final Terms.

**Share Index Sponsor:** means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

**Trade Date** means the date specified as such in relation to Equity Index-Linked Interest Instruments in the applicable Final Terms.

**Valuation Date:** the Initial Price Date, the Final Price Date and any other valuation date set out in the relevant Final Terms.

**Valuation Time:** means the Relevant Time specified in the applicable Final Terms or if not so specified:

- (a) in the case of a Composite Index, in respect of such Share Index:
  - (i) for the purposes of determining whether a Market Disruption Event has occurred:
    - (A) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and

- (B) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and
- (ii) in all other circumstances, the time at which the Official Closing Level of the Share Index is calculated and published by the Share Index Sponsor; and
- (b) in the case of any Non-Composite Index, the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## 2. **Market Disruption Events**

2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for the Share Index shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of the Share Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

2.2 "**Market Disruption Events**" means either:

- (i) (a) the occurrence or existence, in respect of any Component Security, of:
  - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
  - (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
  - (3) an Early Closure in respect of such Component Security; and
- (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20 per cent. or more of the level of the Share Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Share Index Sponsor as part of the market "opening data".

2.3 "**Trading Disruption**" means:

- (a) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
  - (i) relating to any Component Security on the Exchange in respect of such Component Security; or
  - (ii) in futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of a Non-Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
  - (i) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Share Index on any relevant Exchange(s); or
  - (ii) in futures or options contracts relating to such Share Index on any relevant Related Exchange.

2.4 **"Exchange Disruption"** means:

- (a) in case of a Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for:
  - (i) any Component Security on the Exchange in respect of such Component Security; or
  - (ii) futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of a Non-Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general:
  - (i) to effect transactions in, or obtain market values on any relevant Exchange(s) in Component Securities that comprise 20 per cent. or more of the level of the relevant Share Index, or
  - (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share Index on any relevant Related Exchange.

2.5 **"Early Closure"** means:

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of:
  - (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and
  - (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day; and
- (b) in the case of any Non-Composite Index, the closure on any Exchange Business Day with respect to such Share Index of any relevant Exchange(s) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Share Index or any Related

Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of:

- (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day; and
- (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

2.6 **"Disrupted Day"** means:

- (a) In the case of a Composite Index, any Scheduled Trading Day on which:
  - (i) the Share Index Sponsor fails to publish the level of the Share Index;
  - (ii) the Related Exchange fails to open for trading during its regular trading session; or
  - (iii) a Market Disruption Event has occurred; and
- (b) In the case of any Non-Composite Index, any Scheduled Trading Day on which:
  - (i) the Exchange or the Related Exchange fails to open for trading during their regular trading session; or
  - (ii) a Market Disruption Event has occurred.

The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Instruments.

2.7 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

**3. Adjustments**

3.1 If the Share Index is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the **"Successor Share Index"**) will be deemed to be the Share Index.

3.2 If (i) on or prior to any Valuation Date, the Share Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalisation and other routine events) (a **"Share Index Modification"**) or permanently cancels the Share Index and no Successor Share Index exists (a **"Share Index Cancellation"**) or (ii) on any Valuation Date in respect of this Instrument, the Share Index Sponsor fails to calculate and announce a relevant Share Index (a **"Share Index Disruption"** and together with a Share Index Modification and a Share Index Cancellation, each a **"Share Index Adjustment Event"**), then the Calculation Agent shall determine if such Share Index Adjustment Event has a material effect on the Instruments and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Final Price(s) and Barrier(s) and any other variable relevant to the payment of the coupon amount or other terms of the Instruments as the Calculation Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that

Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Share Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event.

### 3.3 Correction of Share Index

In the event that any price or level published on the Exchange or by the Share Index Sponsor and which is utilised for any calculation or determination made under the Instruments is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Holder of the Instruments of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction.

**"Settlement Cycle"** means, in respect of the Share Index, the number of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

**"Clearance System Business Day"** means, in respect of a clearance system, any day on which such clearance system is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

**"Settlement Disruption Event"** means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

## 4. Additional Disruption Events

### 4.1 Definitions:

**"Additional Disruption Event"** means a Change in Law, Insolvency Filing or Hedging Disruption.

**"Change in Law"** means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

**"Early Redemption Amount"** is the result of dividing (i) the aggregate fair market value of the outstanding Instruments on such day as is selected by the Calculation Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Instruments), by (ii) the number of outstanding Instruments.

**"Hedging Disruption"** means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realize, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

**"Hedging Party(ies)"** means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

**"Insolvency Filing"** means that the issuer of a Component Security institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other



similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Component Security shall not be deemed an Insolvency Filing.

- 4.2 **Consequences:** upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Instruments and therefore pay to the Holders the Early Redemption Amount calculated by the Calculation Agent per each of the outstanding Instruments.

## Part 2

### Share Index Basket Linked Instruments

This Part 2 (*Share Index Basket Linked Instruments*) is applicable only in the applicable Final Terms as being Share Index Basket Linked Instruments.

#### 1. Definitions

**Composite Index** means any Share Index in respect of which the securities comprising such Share Index are listed, traded or quoted on more than one exchange or quotation system as determined by the Calculation Agent and provided that, notwithstanding this definition, the Calculation Agent may elect to treat a Share Index as a Non-Composite Index if it determines this is appropriate.

**Closing Level** means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official closing level of the Share Index as published by the relevant Share Index Sponsor;
- (b) a Composite Index, the official closing level of such Share Index as published by the relevant Share Index Sponsor; or

in each case as determined by the Calculation Agent.

**Exchange:** means (a) in the case of a Composite Index, in respect of each component security of each of the Share Indices (each, a "**Component Security**"), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent; and (b) in the case of a Non-Composite Index, the relevant exchange or quotation system specified for such Share Index in the applicable Final Terms or if no such exchange or quotation system is specified for such Share Index in the Final Terms, the exchange or quotation system on which all or substantially all relevant Component Securities are listed (being for the avoidance of doubt, where any Component Security has more than one listing, the exchange or quotation system used by the relevant Share Index Sponsor for the purposes of valuing the relevant price of such Component Security).

**Exchange Business Day:** means, in respect of a basket of Share Indices any Scheduled Trading Day on which (a) in the case of any Composite Index: (i) the Share Index Sponsor publishes the level of such Composite Share Index; and (ii) each Exchange and each Related Exchange (if any) in respect of each Composite Index in the basket is open for trading during its regular trading session, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of a Non-Composite Index, each relevant Exchange and each Related Exchange (if any) is open for trading during its regular trading session in respect of all indices comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**Exchange Business Day Convention:** means any of the following, as specified in the applicable Final Terms:

- **Following Business Day Convention:** if the date specified as Valuation Date in the Applicable Final Terms is not an Exchange Business Day for any of the Indices, the

Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day.

- **Modified Following Business Day Convention:** (in case the date specified as Valuation Date in the Applicable Final Terms is not an Exchange Business Day for any of the Share Indices comprised in the Basket, the Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date for that Share Index will be the first preceding day that is an Exchange Business Day).

**Final Valuation Date** means the date specified as the Final Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

**Initial Valuation Date** means the date specified as the Initial Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

**Non-Composite Index** means a Share Index that is not a Composite Index (together "Non-Composite Indices").

**Observation Period** means the period specified as the Observation Period in the applicable Final Terms.

**Related Exchange:** means in respect of each Share Index, each exchange or quotation system specified as such in the Applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures options contracts relating to such Share Index or such temporary substitute exchange or quotation system as on the original Related Exchange).

**Scheduled Closing Time:** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day:** means (a) in respect of a Non-Composite Index, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share Index is scheduled to be open for trading for its regular trading session, and (b) in respect of a Composite Index any day on which: (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**Share Index** has the meaning set out in the applicable Final Terms.

**Share Index Sponsor:** means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

**Trade Date** means the date specified as such in relation to Equity Index-Linked Interest Instruments in the applicable Final Terms.

**Valuation Date:** the Initial Price Date, the Final Price Date and any other valuation date on the relevant Applicable Final Terms.

**Valuation Time:** means the Relevant Time specified in the applicable Final Terms or if not so specified:

- (a) in the case of a Composite Index, in respect of such Share Index:
  - (i) for the purposes of determining whether a Market Disruption Event has occurred:
    - (A) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and
    - (B) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and
  - (ii) in all other circumstances, the time at which the Official Closing Level of the Share Index is calculated and published by the Share Index Sponsor; and
- (b) in the case of any Non-Composite Index, the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## 2. Market Disruption Events

- 2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for each Share Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of the Share Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

### 2.2 Market Disruption Events: means either:

- (i) (a) the occurrence or existence, in respect of any Component Security, of:
  - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
  - (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
  - (3) an Early Closure in respect of such Component Security; and
- (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20 per cent. or more of the level of the Share Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Sponsor as part of the market "opening data".

**2.3 "Trading Disruption" means:**

- (a) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
  - (i) relating to any Component Security on the Exchange in respect of such Component Security, or
  - (ii) in futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of a Non-Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
  - (i) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Share Index on any relevant Exchange(s); or
  - (ii) in futures or options contracts relating to such Share Index on any relevant Related Exchange.

**2.4 "Exchange Disruption" means:**

- (a) in the case of a Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for:
  - (i) any Component Security on the Exchange in respect of such Component Security; or
  - (ii) futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of any Non-Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general:
  - (i) to effect transactions in, or obtain market values on any relevant Exchange(s) in Component Securities that comprise 20 per cent. or more of the level of the relevant Share Index, or
  - (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share Index on any relevant Related Exchange.

**2.5 "Early Closure" means:**

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of:

- (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and
  - (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day; and
- (b) in the case of any Non-Composite Index, the closure on any Exchange Business Day with respect to such Share Index of any relevant Exchange(s) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of:
  - (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day; and
  - (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

2.6 **"Disrupted Day"** means:

- (a) In the case of a Composite Index, any Scheduled Trading Day on which:
  - (i) the Share Index Sponsor fails to publish the level of the Share Index;
  - (ii) the Related Exchange fails to open for trading during its regular trading session; or
  - (iii) a Market Disruption Event has occurred; and
- (b) In the case of any Non-Composite Index, any Scheduled Trading Day on which:
  - (i) the Exchange or the Related Exchange fails to open for trading during their regular trading session; or
  - (ii) a Market Disruption Event has occurred.

The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Instruments.

2.7 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

### 3. **Adjustments**

- 3.1 If any of the Share Indices is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the **"Successor Share Index"**) will be deemed to be the Share Index.
- 3.2 If (i) on or prior to any Valuation Date, the Share Index Sponsor of any of the Share Indices announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalization and other routine events) (a **"Share Index Modification"**) or

permanently cancels the Share Index and no Successor Share Index exists (an "**Share Index Cancellation**") or (ii) on any Valuation Date respect of this Instrument, the Share Index Sponsor of any of the Indices fails to calculate and announce a relevant Share Index (an "**Share Index Disruption**") and together with a Share Index Modifications and a Share Index Cancellation, each an "**Share Index Adjustment Event**"), then the Calculation Agent shall determine if such Share Index Adjustment Event has a material effect on the Instruments and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Final Price, Barrier, and any other variable relevant to the payment of the coupon amount or other terms of the Instruments as the Calculation Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Share Index last effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event;

### 3.3 Correction of Share Index

In the event that any price or level published on the Exchange or by the Share Index Sponsor of any of the Indices and which is utilized for any calculation or determination made under the Instruments is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Holder of the Instrument of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction.

**"Settlement Cycle"** means, in respect of any the Indices, the period of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

**"Clearance System Business Day"** means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

**"Settlement Disruption Event"** means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

## 4. Additional Disruption Events

### 4.1 Definitions:

**"Additional Disruption Event"** means any of the following events:

**Change in Law:** means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

**Early Redemption Amount:** is the result of dividing (i) the aggregate fair market value of the outstanding Instruments on such day as is selected by the Calculation Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Instruments), by (ii) the number of outstanding Instruments.

**Hedging Disruption:** means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

**Hedging Party(ies):** means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

**Insolvency Filing:** means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

- 4.2 **Consequences:** upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Instruments and therefore pay to the Holders of the Instruments the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Instruments.

**INFLATION-LINKED INTEREST INSTRUMENTS ANNEX { TC " INFLATION-LINKED  
INTEREST INSTRUMENTS ANNEX " \f C \l "1" }**

*The terms and conditions applicable to Inflation-Linked Interest Instruments shall comprise the General Terms and Conditions of the Instruments; and the additional terms and conditions set out below (the "Inflation -Linked Interest Instruments Conditions"), together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Final Terms (together with the General Terms and Conditions, the "Terms and Conditions") and, in each case subject to completion in the applicable Final Terms. In the event of any inconsistency between the General Terms and Conditions of the Instruments and the Inflation-Linked Interest Instruments Conditions, the Inflation-Linked Interest Instruments Conditions shall prevail. In the event of any inconsistency between (i) the General Terms and Conditions of the Instruments and the Inflation-Linked Interest Instruments Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

*Defined terms used in this Inflation-Linked Interest Instruments Annex or the related section of the Final Terms where the same term may be used in another Annex shall have the meanings given in this Inflation-Linked Interest Instruments Annex or in the Section of the Final Terms relating to Inflation Index Linked Instruments notwithstanding the same terms being used in another Annex or section of the Final Terms.*

**1. PAYMENT PROVISIONS**

**1.1 Formula for Rate of Interest and other optional provisions relating to Inflation-Linked Interest Instruments potentially to be included in the relevant Final Terms**

**Interest Rate**

Unless previously redeemed or repurchased in accordance with the Terms and Conditions and the applicable Final Terms, the Rate of Interest for any Interest Period shall be an amount determined by the Calculation Agent in accordance with the applicable formula, as follows, either:

- (1) If an Inflation Linked interest payment based on a fixed rate of interest is specified in the applicable Final Terms:

$$\text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]$$

**OR**

- (2) If an Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate is specified in the applicable Final Terms:

$$\text{Max} [\text{Floor}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

**OR**

- (3) If an Inflation Linked interest payment plus a Margin is specified in the applicable Final Terms:

$$(I_T/I_0) + \text{Margin}$$

**OR**

- (4) If an Inflation Linked interest payment plus a Margin subject to a minimum interest rate is specified in the applicable Final Terms:

$$\text{Max}[\text{Floor}; (I_T/I_0) + \text{Margin}]$$

**OR**

- (5) If an Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate is specified in the applicable Final Terms:



$$\text{Min}[Cap; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

**OR**

- (6) If an Inflation Linked interest payment plus a Margin subject to a maximum interest rate is specified in the applicable Final Terms:

$$\text{Min}[Cap; (I_T/I_0) + \text{Margin}]$$

where:

"**Cap**" has the meaning given to it in the applicable Final Terms;

"**Fixed Rate of Interest**" has the meaning given to it in the applicable Final Terms;

"**I<sub>0</sub>**" means Inflation Index observation level for Reference Month  $T_{\text{start}}$ ;

"**I<sub>T</sub>**" means Inflation Index observation level for Reference Month T;

"**Floor**" has the meaning given to it in the applicable Final Terms;

"**Margin**" has the meaning given to it in the applicable Final Terms;

"**T**" has the meaning given to it in the applicable Final Terms; and

"**T<sub>start</sub>**" has the meaning given to it in the applicable Final Terms.

## **2. INFLATION INDEX DESCRIPTION AND DISRUPTION PROVISIONS**

### **2.1 Delay of Publication**

If any level of an Inflation Index for a Reference Month which is relevant to the calculation of a payment under the Instruments (a "**Relevant Level**") has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date or other relevant payment date under the Instruments or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments, the Calculation Agent shall determine a Substitute Inflation Index Level (in place of such Relevant Level) as follows:

- (a) if Related Bond is specified as applicable in the relevant Final Terms, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the corresponding index level determined under the terms and conditions of the Related Bond; or
- (b) if (i) Related Bond is specified as not applicable in the relevant Final Terms, or (ii) the Calculation Agent is not able to determine a Substitute Inflation Index Level under (a) above, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$$[\text{Substitute Inflation Index Level} = \text{Base Level} \times (\text{Latest Level}/\text{Reference Level})]; \text{ or}$$

- (c) otherwise in accordance with any formula specified in the relevant Final Terms, where:

"**Base Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

"**Latest Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being determined.

"**Reference Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Paragraph 2 (*Delay of Publication*), will be the definitive level for that Reference Month.

## 2.2 Cessation of Publication

If a level for the Inflation Index has not been published or announced for two consecutive months or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index then the Calculation Agent shall determine a Successor Inflation Index (in lieu of any previously applicable Inflation Index) for the purposes of the Instruments by using the following methodology:

- (a) If at any time a Successor Inflation Index has been designated by the Calculation Agent pursuant to the terms and conditions of the Related Bond, such Successor Inflation Index shall be designated a "Successor Inflation Index" for the purposes of all subsequent Specified Interest Payment Dates or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments, notwithstanding that any other Successor Inflation Index may previously have been determined under Paragraph 2.2(b), 2.2(c) or 2.2(d) below; or
- (b) If a Successor Inflation Index has not been determined under Paragraph 2.2(a) above and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or a substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Instruments from the date that such replacement index comes into effect; or
- (c) If a Successor Inflation Index has not been determined under Paragraph 2.2(a), 2.2(b) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement Inflation Index for the Inflation Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If three responses are received, and two or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If fewer than three responses are received, the Calculation Agent will proceed to Paragraph 2.2(d) below; or
- (d) If no Successor Inflation Index has been deemed under Paragraph 2.2(a), 2.2(b) or 2.2(c) above by the fifth Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed a "Successor Inflation Index"; the Calculation Agent shall determine the method of determining the Relevant Level if no such alternative Inflation Index is available.

## 2.3 Rebasings of the Inflation Index

If the Calculation Agent determines that an Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Inflation Index**") will be used for purposes of determining the level of such Inflation Index from the date of such rebasing; **provided, however, that** the Calculation Agent shall make such adjustments as are made by the Calculation Agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased

Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Instruments.

#### **2.4 Material Modification Prior to Payment Date**

If, on or prior to the day that is five Business Days before an Interest Payment Date or other relevant payment date in relation to the Instruments, an Inflation Index Sponsor announces that it will make a material change to an Inflation Index then the Calculation Agent shall make any such adjustments to the Inflation Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.

#### **2.5 Manifest Error in Publication**

If, within thirty days of publication and prior to the redemption of the Instruments or payments in respect of any relevant Interest Payment Date or other relevant payment date in relation to the Instruments, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent will notify the holders of the Instruments in accordance with Condition 13 of (i) that correction, (ii) the adjusted amount that is then payable under the Instruments as a result of that correction and (iii) take such other action as it may deem necessary to give effect to such correction, **provided that** any amount payable pursuant to sub-paragraph (ii) above shall be paid (with no interest accruing thereon) (a) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date or other relevant payment date in relation to the Instruments has occurred, within five Business Days after notice of such amount payable by the Calculation Agent, (b) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date or other relevant payment date in relation to the Instruments has not occurred, as an adjustment to the payment obligation on the next Specified Interest Payment Date or (c) if there is no further Interest Payment Date or other relevant payment date in relation to the Instruments, within five Business Days after notice of such amount payable by the Calculation Agent.

#### **2.6 Inflation Index Level Adjustment Correction**

In relation to any Inflation Index, unless otherwise specified in the definition of the relevant Inflation Index set out in Section 5 (*Inflation Indices*) of this Inflation-Linked Interest Instruments Annex, as specified in the applicable Final Terms, either (i) the first publication or announcement of the level of the Inflation Index (disregarding estimates) by the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 2.6, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations; or (ii) the first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Inflation Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Interest Payment Date, Maturity Date or any other payment in respect of the Instruments.

### **3. ADDITIONAL DISRUPTION EVENTS**

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Instruments shall continue or be redeemed early.
- (b) If the Issuer determines that the relevant Instruments shall continue, the Calculation Agent may make such adjustment as the Calculation Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption or

payment terms of the relevant Instruments and/or any other adjustment which change or adjustment shall be effective on such date as the Calculation Agent shall determine.

- (c) If the Issuer determines that the relevant Instruments shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Instruments and the Issuer's obligations under the Instruments shall be satisfied in full upon payment in respect of each Instrument of an amount equal to the fair market value of such Instrument, on such day as is selected by the Calculation Agent in its sole and absolute discretion (**provided that** such day is not more than 15 days before the date fixed for redemption of the Instrument), less the proportion attributable to that Instrument of the reasonable cost to the Issuer and/or any affiliate of, or the loss realised by the Issuer and/or any affiliate on, unwinding any related hedging arrangements, all as calculated by the Calculation Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Calculation Agent of the occurrence of an Additional Disruption Event.

#### 4. DEFINITIONS

##### 4.1 Definitions Applicable to Inflation-Linked Interest Instruments

In relation to Inflation-Linked Interest Instruments, the following expressions have the meanings set out below:

**"Affected Payment Date"** means each specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments in respect of which an Inflation Index has not been published or announced;

**"Additional Disruption Event"** means, with respect to any Series of Instruments, a Change in Law or Hedging Disruption

**"Change in Law"** means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Instruments (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

**"Fallback Bond"** means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to the Inflation Index, with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation linked bonds issued on or before the Issue Date and, if there is more than one inflation linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

**"Hedge Positions"** means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, commodities, options, futures, derivatives or foreign

exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Instruments;

**"Hedging Disruption"** means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Instruments, or (B) realise, recover or remit the proceeds of any such transactions or asset(s);

**"Inflation Index"** means any index specified as such in the applicable Final Terms which may be specified using the Inflation Indices described in Section 5 (*Inflation Indices*) of this Inflation-Linked Interest Instruments Annex;

**"Inflation Index Sponsor"** means, in respect of an Inflation Index, the entity specified as such in the relevant Final Terms or, if no entity is specified, the entity that publishes or announces (directly or through an agent) the level of the relevant Inflation Index;

**"Reference Month"** means the calendar month for which the level of the relevant Inflation Index was reported, regardless of when this information is published or announced. If the period for which the Inflation Index level was reported is a period other than a month, the Reference Month will be the period for which the Inflation Index level was reported;

**"Related Bond"** means the bond specified in the relevant Final Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond is "Fallback Bond", then for any Related Bond determination under these Conditions, the Calculation Agent shall use the Fallback Bond (as that is defined in this Section 4 (*Definitions*) hereof). If no bond is specified in the relevant Final Terms as the Related Bond and "Fallback Bond: Not applicable" is specified in the relevant Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the relevant Final Terms, and that bond redeems or matures before the relevant Maturity Date, unless "Fallback Bond: Not applicable" is specified in the relevant Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination;

**"Substitute Inflation Index Level"** means an Inflation Index level, determined by the Calculation Agent pursuant to the provisions of Paragraph 2.1 (*Delay of Publication*) of this Section 4 (*Definitions*) of this Inflation-Linked Interest Instruments Annex, in respect of an Affected Payment Date; and

**"Successor Inflation Index"** has the meaning specified in Paragraph 2.2 (*Cessation of Publication*) of this Section 4 (*Definitions*) of this Inflation-Linked Interest Instruments Annex.

## 5. INFLATION INDICES

### European Union

- (a) **"EUR – Excluding Tobacco-Non-revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"EUR – All Items-Non-revised Consumer Price Index"** means the "Non-revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"EUR – All Items-Revised Consumer Price Index"** means the "Revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index

Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Interest Payment Date.

## France

- (a) **"FRC – Excluding Tobacco-Non-Revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"FRC – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in France, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

## Spain

- (a) **"ESP – National-Revised Consumer Price Index (CPI)"** means the "Year on Year Revised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in Spain, expressed as an annual percentage and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date.
- (b) **"ESP – National-Non-revised Consumer Price Index (CPI)"** means the "Non-revised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"ESP – Harmonised-Revised Consumer Price Index (HICP)"** means the "Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date.
- (d) **"ESP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

## United Kingdom

- (a) **"GBP – Non-revised Retail Price Index (UKRPI)"** means the "Non-revised Retail Price Index All Items in the United Kingdom", or relevant Successor Inflation Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

- (b) **"GBP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in the United Kingdom, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"GBP – Non-revised Retail Price Index Excluding Mortgage Interest Payments (UKRPIX)"** means the "Non-revised Retail Price Index Excluding Mortgage Interest Payments in the United Kingdom", or relevant Successor Inflation Index, measuring the rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

## United States

**"USA – Non-revised Consumer Price Index – Urban (CPI-U)"** means the "Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment", or relevant Successor Inflation Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

## Italy

- (a) **"ITL – Whole Community –Excluding Tobacco Consumer Price Index"** means the –Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) senza tabacchi, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"ITL – Whole Community –Including Tobacco Consumer Price Index"** means the –Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) con tabacchi, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"ITL – Inflation for Blue Collar Workers and Employees–Excluding Tobacco Consumer Price Index"** means the –Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) senza tabacchi, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (d) **"ITL – Inflation for Blue Collar Workers and Employees–Including Tobacco Consumer Price Index"** means the –Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) con tabacchi, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (e) **"ITL – Non-revised Harmonised Consumer Price Index (HICP)"** means the –Non-revised Harmonised Index of Consumer Prices, or relevant Successor Inflation Index, measuring the rate of inflation in Italy, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be

final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.



**PRO FORMA FINAL TERMS{ TC "PRO FORMA FINAL TERMS" \f C \l "1" }**

*Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

Final Terms dated [   ]

**[Santander International Debt, S.A. Unipersonal  
Santander Issuances, S.A. Unipersonal]**

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

Guaranteed by Banco Santander, S.A.

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

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Instruments in Ireland, Luxembourg or any other Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer of the Instruments may only do so in:

- (i) circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) those Public Offer Jurisdictions mentioned in Paragraph 39 of Part A below, provided such person is one of the persons mentioned in Paragraph 39 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.]<sup>1</sup>

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Instruments in Ireland, Luxembourg or any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances].<sup>2\*</sup>

The Base Prospectus together with the relevant Final Terms have been published on the websites on the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland (<http://www.centralbank.ie>) in an agreed electronic format.

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<sup>1</sup> Include this legend where a non-exempt offer of Instruments is anticipated.

<sup>2</sup> Include this legend only where an exempt offer of Instruments is anticipated.

\* Applicable only to securities with a denomination of less than EUR 100,000.

## PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions (the “**General Terms and Conditions**” and together with the applicable Annex(es) the “**Terms and Conditions**”) set forth in the Base Prospectus dated 15 June 2015 [and the Supplement[s] to the Base Prospectus dated [ ] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU)) (the **Prospectus Directive**). [This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]]<sup>3</sup>. [A summary of the individual issue is annexed to this Final Terms.]<sup>4</sup> Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 15 June 2015 [as so supplemented]. [The Base Prospectus [and the Supplement[s] to the Base Prospectus] [is] [are] available for viewing at the registered office of [each of the Issuers] [the Issuer] and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL and at the offices of each Paying Agent and copies may be obtained from the addresses specified above. The Base Prospectus has been published on the websites on the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland (<http://www.centralbank.ie>).]

*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 General Terms and Conditions (the “**General Terms and Conditions**” and, together with the applicable Annex(es) the “**Terms and Conditions**”) set forth in the Base Prospectus dated [16 June 2014/ 21 June 2013/ 22 June 2012/ 8 November 2011/ 12 November 2010/ 11 November 2009/ 14 November 2008/ 16 November 2007]. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU)), as amended (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 15 June 2015 [and the supplement to the Base Prospectus dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [16 June 2014/ 21 June 2013/ 22 June 2012/ 8 November 2011/ 12 November 2010/ 11 November 2009/ 14 November 2008/ 16 November 2007]. Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 15 June 2015 and [16 June 2014/ 21 June 2013/ 22 June 2012/ 8 November 2011/ 12 November 2010/ 11 November 2009/ 14 November 2008/ 16 November 2007] [and the Supplement[s] to the Base Prospectus dated [ ] and [ ]]. [The Base Prospectuses [and the Supplement[s] to the Base Prospectuses] are available for viewing at the registered office of [each of the Issuers] [the Issuer] and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL, the offices of the Irish Listing Agent, A&L Listing Limited at 33, International Financial Services Centre, North Wall Quay, Dublin 1, Ireland and at the offices of each Paying Agent. The Base Prospectus has been published on the websites on the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland (<http://www.centralbank.ie>).]

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

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

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<sup>3</sup> In the case of listing the Instruments on unregulated markets this language will be removed.

<sup>4</sup> Applicable only to securities with a denomination of less than EUR 100,000.

1. (i) Issuer: [Santander International Debt, S.A. Unipersonal/Santander Issuances, S.A. Unipersonal].  
(ii) Guarantor : Banco Santander, S.A.
2. (i) Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
  
[(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible).]
3. Applicable Annex(es) [Payout Annex] [Equity Index-Linked Interest Instruments Annex] [Inflation-Linked Interest Instruments Annex] [Not applicable]
4. Specified Currency: [ ]
5. Aggregate Principal Amount: [ ]  
(i) Series: [ ]  
(ii) Tranche: [ ]
6. Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from [date] (if applicable)] / [ ] per cent per Instrument of [ ] specified denomination (the **Issue Price**)
7. Specified Denominations: [ ]
8. Calculation Amount: [*the Specified Denomination*]
9. [(i)] Issue Date: [ ]  
[(ii)] Interest Commencement Date: [ ] [Not Applicable]
10. Maturity Date: [Date or (for Floating Rate — Instruments) Interest Payment Date falling in the relevant month and year]
11. Interest Basis: [[●%] Fixed Rate]  
[Reset Instruments]  
[[reference rate] ●% Floating Rate]  
[Equity Index-Linked Interest]  
[Inflation-Linked Interest]  
[CMS-Linked: [reference rate] +/- [ ] per cent]]  
[Variable interest rate]
12. Redemption/Payment Basis: [Redemption at par]  
  
[Partly Paid]  
[Instalment]

13. Put/Call Options: [Not Applicable]  
[Investor Put]<sup>5</sup>  
[Issuer Call]  
[(further particulars specified below)]
14. [(i)] Status of the Instruments: [Senior/Subordinated]
- [(ii)] Status of the Guarantee: [Senior/Subordinated]
- [(iii)] [Date [Board] approval for issuance of Instruments [and Guarantee] obtained: (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Instruments or related Guarantee)]\*
15. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable] [*insert reference to applicable Interest Periods*]
- (i) Rate[(s)] of Interest: [Condition [4A][●] of the Terms and Conditions [apply] [applies].]  
[ ] per cent. per annum [for the [●] Interest Period][*repeat information if necessary*]  
[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] [in each year] [adjusted in accordance with [*Business Day Convention*]]/[not adjusted].
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] specified denomination [for the ● Interest Period] [*repeat information if necessary*]
- (iv) Day Count Fraction: [30/360]/[360/360]/[Bond Basis]  
[30E/360]/ [EuroBond Basis]  
[Actual/Actual]/ [Actual/Actual (ISDA)]/[Act/Act]/[Act/Act(ISDA)]  
[Actual/365 (Fixed)]/ [Act/365 (Fixed)]/[A/365(Fixed)]/[A/365F]  
[Actual/Actual (ICMA)]/[Act/Act (ICMA)]  
[Actual/360]/[Act/360]/[A/360]  
[30E/360(ISDA)]
- (v) Determination Dates: [ ] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. [Not applicable])

<sup>5</sup> Not applicable in the case of Subordinated Instruments.

\* *Applicable only to securities with a denomination of less than EUR 100,000.*

(N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))

- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]) [ ]
17. **Reset Instrument Provisions** [Applicable/Not Applicable] *[insert reference to applicable Interest Periods]*
- (If applicable, Condition 4B of the Terms and Conditions of the Instruments will apply)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Initial Rate of Interest: [ ] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly] in arrear]
- (ii) First Margin: [+/-][ ] per cent. per annum
- (iii) Subsequent Margin: [[+/-][ ] per cent. per annum] [Not Applicable]
- (iv) Interest Payment Date(s): [ ] in each year [adjusted in accordance with *Business Day Convention*]/[not adjusted].
- (v) Fixed Coupon Amount up to (but excluding) the First Reset Date: [ ] per [ ] specified denomination [for the ● Interest Period] *[repeat information if necessary]*
- (vi) First Reset Date: [...] [adjusted in accordance with *Business Day Convention*]/[not adjusted].
- (vii) Second Reset Date: [ ]/[Not Applicable] [adjusted in accordance with *Business Day Convention*]/[not adjusted].
- (viii) Subsequent Reset Date(s): [...] [and [ ]] [adjusted in accordance with *Business Day Convention*]/[not adjusted].
- (ix) Relevant Screen Page: [ ]
- (x) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-swap Rate]
- (xi) Mid-Swap Maturity: [ ]
- (xii) Fixed Leg Swap Duration: [ ]
- (xiii) Day Count Fraction: [30/360]/[360/360]/[Bond Basis]

[30E/360]/ [EuroBond Basis]

[Actual/Actual]/ [Actual/Actual]  
[ISDA)]/[Act/Act]/[Act/Act(ISDA)]

[Actual/365 (Fixed)]/ [Act/365  
(Fixed)]/[A/365(Fixed)]/[A/365F]

[Actual/Actual (ICMA)]/[Act/Act (ICMA)]

[Actual/360]/[Act/360]/[A/360]

[30E/360(ISDA)]

(xiv) Determination Dates:

[ ] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.

*(N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])*

(xv) Calculation Agent:

[...]

(xvi) Reset Business Centre:

[...]

18. **Other Variable Interest Rate Instrument Provisions** [Applicable/Not Applicable] *[insert reference to applicable Interest Periods]*

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

(i) Type of Variable Interest Rate Instruments: *(Insert relevant provisions from the Payout Annex: i.e. Payout Condition 2.1 (c), the relevant Interest Payment Condition from Payout Condition 2.2 and related definitions from Payout Condition 3.)*

(ii) Specified Period(s) / Specified Interest Payment Dates: [[ ] in each year from (and including) [ ] and up to (and including) the Maturity Date]

(iii) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]

(iv) Additional Business Centre(s): [ ] / [Not Applicable]

(v) Minimum Rate of Interest [[ ] per cent. per annum][Not Applicable]

(vi) Maximum Rate of Interest [[ ] per cent. per annum][Not Applicable]

- (vii) Day Count Fraction [ ]
- (viii) Determination Date(s) [[ ] in each year]/[Not Applicable]
- [Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*
- 19. Floating Rate and CMS-Linked Instrument Provisions** [Applicable/Not Applicable] [insert reference to applicable Interest Periods]
- (If applicable, Condition 4B of the Terms and Conditions of the Instruments will apply)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [ ]
- (ii) Interest Payment Dates: [ ]
- (iii) First Interest Payment Date: [ ]
- (iv) Business Day Convention: [FRN Convention/ Following Business Day Convention/ Modified Following Business Day Convention/No Adjustment]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [ ]
- (vii) Margin Plus Rate: [Applicable] [Not Applicable]
- (viii) Specified Percentage Multiplied by Rate: [Applicable] [Not Applicable]
- (ix) Difference in Rates: [Applicable] [Not Applicable]
- (x) [Screen Rate Determination of Rate] or [Screen Rate Determination]

of Rate 2 (in relation to Difference in Rates only]):

- Reference Rate: [LIBOR][EURIBOR]
- Interest Determination Date(s): [ ]
- Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
- (xi) ISDA Determination:
  - Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (xii) Margin(s): [ +/- ] [ ] per cent. per annum
- (xiii) Minimum Rate of Interest: [ ] per cent. per annum
- (xiv) Maximum Rate of Interest: [ ] per cent. per annum
- (xv) Day Count Fraction:
  - [Actual/Actual] [Actual/Actual(ISDA)] [Act/Act] [Act/Act(ISDA)]
  - [Actual/365(Fixed)] [Act/365 (Fixed)] [A/365 (Fixed)] [A/365F]
  - [Actual/Actual(ICMA)] [Act/Act(ICMA)]
  - [Actual/360] [Act/360] [A/360]
  - [30/360] [360/360] [Bond Basis]
  - [30E/360] [Eurobond Basis]
  - [30E/360(ISDA)]
- (xvi) Step-up Provisions [Applicable] [Not applicable]



20. **Equity Index-Linked Interest Instruments Provisions** [Applicable/Not Applicable]  
*(If applicable, Condition 4C of the Terms and Conditions of the Instruments and the Equity Index-Linked Interest Instruments Annex of the Terms and Conditions of the Instruments will apply)*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 20.A **Structure 1** [Applicable/Not Applicable]  
*(If applicable, Part 1 of Section 1 Payment Provisions of the Equity Index-Linked Interest Instruments Annex will apply)*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Instruments: [Single Share Index Linked Instruments] [Share Index Basket Linked Instruments] *[Delete as applicable]*
  - (ii) Strike Price: [ ] per cent. of Initial Price
  - (iii) Coupon B Percentage: [ ] per cent.
  - (iv) Final Price Date: [ ]
  - (v) Initial Price Date: [ ]
  - (vi) Initial Price(s): [ ] [as set out in the applicable part of the Equity Index-Linked Interest Instruments Annex]
  - (vii) Share Index/Indices: *[(Share Index for Single Share Index Linked Instruments and each of the Share Indices for Share Index Basket Linked Instruments)] [Not applicable]*  
*(in relation to Single Share Index Linked Instruments and Share Index Basket Linked Instruments only)*
- 20.B **Structure 2** [Applicable/Not Applicable]  
*(If applicable, Part 2 of Section 1 Payment Provisions of the Equity Index-Linked Interest Instruments Annex will apply)*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Instruments: of [Single Share Index Linked Instruments]
  - (ii) Barrier A: [ ] per cent. of Initial Price
  - (iii) Coupon A Percentage: [ ] per cent.
  - (iv) Coupon C Percentage: [ ] per cent.

- (v) Final Price [ ]  
Date:
- (vi) Initial Price [ ]  
Date:
- (vii) Initial Price: [ ]
- (viii) Share [Index]/[Not applicable]  
Index/Indices:
- (ix) Share Index [Name of Share Index Sponsor(s)] [Not applicable]  
Sponsor(s):

**20.C Structure 3** [Applicable/Not Applicable]  
*(If applicable Part 3 of Section 1 Payment Provisions of the Equity Index-Linked Interest Instruments Annex will apply) (in relation to Share Index Basket Linked Instruments only)*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Type of [Share Index Basket Linked Instruments]  
Instruments:
- (ii) Cap Level: [ ]
- (iii) Final Price [ ]  
Date:
- (iv) Initial Price [ ]  
Determination  
Period:
- (v) Initial Price(s): [As set out in the applicable part of the Equity Index-Linked Interest Instruments Annex ]
- (vi) Share Indices: [(Each of the Share Indices for Share Index Basket Linked Instruments)]  
[Not applicable]
- (vii) Share Index [Name of Share Index Sponsor(s)] [Not applicable]  
Sponsor(s):

**21. Additional provisions applicable to Equity Index-Linked Interest Instruments** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Interest [ ]  
Payment Dates:
- (ii) Interest Period: [ ]
- (iii) Observation [ ]  
Period:
- (iv) Calculation [ ]  
Agent:
- (v) Exchange(s): [ ]
- (vi) Exchange [Following Business Day Convention] [Modified Following Business  
Business Day

- Convention: Day Convention] [No Adjustment]
- (vii) Related Exchange(s): [ ]
- (viii) Valuation Time: [ ] [as set out in the Equity Index-Linked Interest Instruments Annex of the Terms and Conditions of the Instruments] *[Delete as applicable]*
- (ix) Business Day Convention: [FRN Convention/Following Business Day Convention/Modified Following Business Day Convention/No Adjustment]
- (x) Additional Financial Centre(s): [Not applicable] *[Additional Financial Centre(s)]*
- (xi) Whether the Instruments relate to a single Index or a basket containing one or more Indices and identify each of the relevant Index(ices): [Single Share Index/basket containing one or more Indices]
- (xii) Equity Index: [Applicable] / [Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
 (a) *[Name of Index (Composite Index or Non-Composite Index/Basket Index)]*  
 (b) The relevant Index Sponsor is *[Name of Index Sponsor]*  
 (c) Bloomberg Screen: [ ]  
*(In case of more than one Index repeat the prompts of this point set out in (xii) to (xvi) below.)*
- (xiii) Index Level: [Opening Level] / [Intraday Level] / [Observation Level] / [Closing Level]  
*(NB:- If Observation Level is elected please include one of (a) the [lowest] [highest] Closing Level observed by the Calculation Agent on the Scheduled Observation Dates or (b) the level of the [Index] observed by the Calculation Agent in accordance with the definition of Index Level at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).*
- (xiv) Exchange: [The relevant Exchange(s)] [is/are] [ ]
- (xv) Related Exchange: [ ] / [All Exchanges]
- (xvi) Relevant Time: [Scheduled Closing Time] / [The relevant time is [ ], being the time specified on the [Valuation Date/Averaging Date/Scheduled Observation Date] for the calculation of the Index.]
- (xvii) Scheduled Trading Day: [ ] [as set out in the Equity Index-Linked Instruments Annex]
- (xviii) Market Disruption: [Trading Disruption] / [Exchange Disruption] / [Early Closure] *[Delete as applicable]*

Events:

- (xix) Adjustments: [Successor Share Index] / [Share Index Modification] / [Share Index Cancellation] / [Share Index Disruption] / [Share Index Adjustment Event] / [Delete as applicable]
- (xx) Additional Disruption Events: [Applicable]/[Not applicable] (if not applicable, delete remaining parts of this item 26(xviii))  
[The following Additional Disruption Events apply: [Change in Law] [Insolvency Filing] and/or [Hedging Disruption]]
- (xxi) Observation Level: [Applicable / Not Applicable]  
*(N.B: if applicable please specify one of (a) the lowest Closing Level, (b) the highest Closing Level or (c) the level of the Index observed by the Calculation Agent)*

**22. Inflation-Linked Interest Instruments Provisions**

[Applicable/Not Applicable]  
*(If applicable, Condition 4C of the Terms and Conditions of the Instruments and the Inflation-Linked Interest Instruments Annex of the Terms and Conditions of the Instruments will apply)*

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

- (i) Interest Payment Dates: [ ]
- (ii) Affected Payment Date: [ ]
- (iii) Interest Period: [ ]
- (iv) Calculation Agent: [ ]
- (v) (A) Rate of Interest: [Inflation Linked interest payment based on a fixed rate of interest] [Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate] [Inflation Linked interest payment plus Margin] [Inflation Linked interest payment plus a Margin subject to a minimum interest rate] [Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate] [Inflation Linked interest payment plus a Margin subject to a maximum interest rate] *[Delete as applicable]*
- (B) Fixed Rate of Interest : [ ] [Not applicable]

(C) T:

Interest Payment Date	T
[day] [month] 20[●]	[day] [month] 20[●]
[day] [month] 20[●]	[day] [month] 20[●]
[day] [month] 20[●]	[day]

	[month] 20[●]
--	---------------

(D)	$T_{START}$ :	<b>Interest Payment Date</b>	<b><math>T_{START}</math></b>
		[day] [month] 20[●]	[day] [month] 20[●]
		[day] [month] 20[●]	[day] [month] 20[●]
		[day] [month] 20[●]	[day] [month] 20[●]

(E) Cap: [ ] [Not applicable]

(F) Floor: [ ] [Not applicable]

(G) [ ] [Not applicable]

Margin

:

(H) [ ] [Not applicable]

Refere  
nce  
Month:

(I) [ ] [Not applicable]

Refere  
nce  
Month  
 $T_{start}$ :

(J) [ ] [Not applicable]

Refere  
nce  
Month  
T:

(vi) Inflation Index: [ ]

(vii) Inflation Index  
Sponsor: [ ]

(viii) Related Bond: [Name and ISIN or other security identification code of Related Bond]  
[Not applicable] [Fallback Bond] [Delete as applicable]

(ix) Fallback Bond: [Applicable] [Not applicable]

(x) Inflation Index  
Level  
Adjustment: [See details in Section 4 of Inflation Linked Interest Instruments Annex  
to Terms and Conditions] [Option (i) as specified in Section 2.6 of  
Inflation Linked Interest Instruments Annex to the Terms and  
Conditions] [Option (ii) as specified in Section 2.6 of Inflation Index  
Linked Interest Instruments Annex to the Terms and Conditions] [Delete  
Linked Interest

*Instruments* as applicable]  
*Annex, Section*  
*2.6 of terms and*  
*conditions)*

- (xi) Business Day Convention: [FRN Convention/Following Business Day Convention/Modified Following Business Day Convention/No Adjustment] [*Delete as applicable*]
- (xii) Additional Financial Centre(s): [Name(s) of Additional Financial Centre(s)] [Not applicable]
- (xiii) Relevant Level: [ ]

23. **Key Dates relating to Variable Interest Rate Instruments (and if so specified applicable to other kind of Instruments)**

- (i) Trade Date [ ]
- (ii) Valuation Date(s): [ ]/[Not applicable]
- (iii) Initial Valuation Date: [ ]/[Not applicable]
- (iv) Final Valuation Date: [ ]/[Not applicable]
- (v) Scheduled Observation Date(s): [ ]/[Not applicable]
- (vi) Calculation Date(s): [ ]/[Not applicable]
- (vii) Observation Date(s): [ ]/[Not applicable]
- (viii) Averaging Dates: [Averaging [applies/does not apply] to the Instruments.] [The Averaging Dates are [ ]]  
  
[In the event than an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply]
- (ix) Specified Maximum Days of Disruption: [[number] Scheduled Trading Days]/[Not applicable]

## PROVISIONS RELATING TO REDEMPTION

24. **Call Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(The clearing systems require a minimum of 5 business days notice if such an option is to be exercised )*
- (i) Optional Early Redemption Date(s) (Call): [ ]
- (ii) Optional Early Redemption Amount (Call) of each Instrument: [ ] per Instrument of [ ] specified denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period [ ]
25. **Put Option** [Applicable/Not Applicable]<sup>6</sup>  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(The clearing systems require a minimum of 15 business days notice if such an option is to be exercised )*
- (i) Optional Early Redemption Date(s): [ ]
- (ii) Optional Early Redemption Amount (Put) of each Instrument: [ ] per Instrument of [ ] specified denomination
- (iii) Notice period [ ]

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<sup>6</sup> Not applicable in the case of Subordinated Instruments.

26. **Maturity Redemption Amount of each Instrument**      [[ ] per Instrument of [ ] specified denomination/see Appendix]
27. **Early Redemption Amount and Early Redemption Amount (Capital Disqualification Event)**
- Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons, on a capital disqualification event (if applicable) or on event of default:      [ ]

#### **GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

28. **Form of Instruments:**      Bearer/Registered.
- [Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments [or Registered Instruments] on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]
- [Temporary Global Instrument exchangeable for Definitive Instruments [or Registered Instruments] on [●] days' notice]
- [Permanent Global Instrument exchangeable for Definitive Instruments [or Registered Instruments] on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]
- [Definitive Instruments may be exchanged for Registered Instruments]



29. New Global Note: [Yes] [No]
30. Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature): [Yes] [No] [ ]
31. Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment]: [Yes] [No]
32. Business Day: [ ] [*Additional financial centres necessary for the purposes of Condition 8C.03 or any modification required.*]
33. Relevant Financial Centre: [ ]
34. Relevant Financial Centre Day: [*Additional financial centres necessary for the purposes of Condition 8C.03, or 8A.05 (Bearer Instruments) or 8B.02 (Registered Instruments).*] [●]
35. Amount of each instalment (“**Instalment Amount**”), date on which each payment is to be made (“**Instalment Date**”): [Not Applicable] [ ]
36. Commissioner: [ ]

## DISTRIBUTION

37. (i) If syndicated, names and addresses of Managers and underwriting commitments: (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.) [Not applicable]
- (ii) Date of [Subscription Agreement] [ ]<sup>7</sup>
38. If non-syndicated, name and address of Dealer/Manager: [ ]
39. [Total commission and [ [●] per cent. of the Aggregate Nominal Amount]] [None]

<sup>7</sup> Applicable only to securities with a denomination of less than EUR 100,000.

concession:

40. US Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/ TEFRA not applicable]

41. Public Offer:

[Not Applicable] / [An offer of the Instruments may be made by [the relevant Dealer[(s)] appointed in the Final Terms] [and/or] [*specify names of the financial intermediaries/placers receiving specific consent*] ([the] [each an] "**Authorised Offeror**") other than pursuant to Article 3(2) of the Prospectus Directive in [*specify Ireland, Luxembourg or any relevant Member State(s) where the Issuer intends to make the Public Offer which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (the "**Public Offer Jurisdiction[s]**") during [*the period of twelve months from the date of approval of the Base Prospectus*]/ [the period from [*Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"*]] (the "**Offer Period**"). *Copies of these Final Terms will be provided to the competent [authorities] [authority] in the Public Offer Jurisdiction[s].*

*(Consider walk-away rights if extending Offer Period beyond the Issue Date)*

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdiction[s]] [and admission to trading on [*regulated market*]] of the Instruments described herein pursuant to the €32,000,000,000 Programme for the Issuance of Debt Instruments of Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A.

## RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from [*source*]. [Each of the] [The] Issuer[s] [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 [*source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

**CONFIRMED**

**[SANTANDER INTERNATIONAL DEBT, S.A. UNIPERSONAL/SANTANDER ISSUANCES, S.A. UNIPERSONAL]**

By:

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*Authorised Signatory*

Date

**BANCO SANTANDER, S.A.**

By:

---

*Authorised Signatory*

Date

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Instruments to be listed on [*the Official List of the Irish Stock Exchange*] [any other regulated market] [any other listing authority] [any other stock exchange] [any other quotation system] and admitted to trading on [*the Regulated Market of the Irish Stock Exchange*]/[any other regulated market]/[any unregulated market] [any other listing authority] [any other stock exchange] [any other quotation system] with effect from [ ].]

[Application has been made by the Issuer (or on its behalf) for the Instruments to be listed on [*the Official List of the Irish Stock Exchange*]/[any other regulated market]/[any unregulated market]/[any other listing authority] [any other stock exchange] [any other quotation system] and application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on [*the Regulated Market of the Irish Stock Exchange*] [any other regulated market] [any other unregulated market] [any other listing authority] [any other stock exchange] [any other quotation system] with effect from [ ].] [Not Applicable.]

[Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be included to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Börse Frankfurt Zertifikate AG platform) with effect from the Issue Date.]

### 2. RATINGS

The Instruments to be issued have been rated:

[S&P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[[Other]: [ ]]

[These credit ratings have been issued by Standard & Poor's Credit Market Services Europe Limited, [Moody's Investor Services España, S.A.] [and Fitch Ratings España, S.A.U.] [*other*].

Each of [Standard & Poor's Credit Market Services Europe Limited], [Moody's Investor Services España, S.A.] [,][and] [Fitch Ratings España, S.A.U.] [and] [Specify Other] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of [Standard & Poor's Credit Market Services Europe Limited], [Moody's Investor Services España, S.A.] [,][and] [Fitch Ratings España, S.A.U.] [and] [Specify Other] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

[[*Insert the legal name of the relevant credit rating agency entity*] is not established [in the European Union] and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). [*Insert the legal name of relevant credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Market Authority on its website in accordance with such Regulation].

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

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

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE  
[ISSUE/OFFER]**

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. [May be satisfied by the inclusion of the following statement:*

*"Save as discussed in paragraph 5.4 ("Placing and Underwriting") of the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer."*

*[(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. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)]	Reasons for the offer	[ ]
		(See ["Use of Proceeds"] wording in Base Prospectus, if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here. )
		<i>(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*</i>
[(ii)]	Estimated net proceeds:	[ ]
[(iii)]	Estimated total <sup>8</sup> expenses :	[ ]
		[Include breakdown of expenses.]
		<i>(If the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and</i>
		<i>(iii) above where disclosure is included at (i) above.)**</i>

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\*\* [Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote 2 above.]

\* [Applicable only to securities with a denomination of less than EUR 100,000.]

<sup>8</sup> For securities of at least EUR 100,000 only the estimated total expenses related to admission to trading should be included.

5. **[[Fixed Rate Instruments only— YIELD**

Indication of yield: [ ]

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]\*

6. **[Floating Rate Instruments only — HISTORIC INTEREST RATES**

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

7. **[CMS Linked Notes Only – HISTORIC RATES**

Details of historic swap rates can be obtained from [Reuters].]

8. **[Inflation Linked Instruments, Equity Linked Instruments only — PERFORMANCE OF INDEX/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an Inflation index or other index need to include the name of the index and insert a link or give other indication as to where further information about the Inflation Index or other index can be found] [Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]\*\**

*[(When completing this paragraph, 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.)]*

9. **OPERATIONAL INFORMATION**

ISIN: [ ]

Common Code: [ ]

WKN: [ ] [Not applicable]

Any other Clearing System other than Euroclear and Clearstream Banking, société anonyme and the relevant identification numbers: [Clearstream Banking AG] [●]

[Not applicable]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [ ]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Instruments 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 Instruments] and does not necessarily mean that the Instruments 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.][if "yes" selected and the Instruments are deposited with an ICSD, the Instruments must be issued in NGN form]

[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 Instruments are capable of meeting them the Instruments 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 Instruments]*. Note that this does not necessarily mean that the Instruments 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.]

## 10. TERMS AND CONDITIONS OF THE OFFER\*

[Applicable]/[Not applicable] (If *not applicable*, delete the remaining sub-paragraphs of this paragraph) [The Instruments will be offered to the public in [each] [the] Public Offer Jurisdiction in accordance with the arrangements listed below]

Offer Price: [●%]

Offer Period: *[The period of twelve months from the date of approval of the Base Prospectus] / [the period from [Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"]]*

Conditions to which the offer is subject: [ ]

Description of the application process: [ ]

Possibility to reduce subscriptions: [Applicable] [Not Applicable]

Details of the minimum and/or maximum amount of application: Minimum amount of application: [ ] [Not Applicable]

Maximum amount of application: [ ] [Not Applicable]

Details of the method and time limits for paying up and delivering the Instruments: [ ]

Manner in and date on which results of the offer are to be made public: [ ]

Procedure for exercise of any right of pre-emption, negotiability [Not Applicable] [According to Terms and Conditions's

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\* Applicable only to securities with a denomination of less than EUR 100,000.

of subscription rights and Section 5.1.8]  
treatment of subscription rights  
not exercised:

Categories of potential investors to which the Instruments are offered and whether tranche(s) have been reserved for certain countries: This is disclosed in the Base Prospectus.

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [ ] [Not Applicable]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [ ] [Not Applicable]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/*give details*]  
[The Authorised Offerors are identified in Part A-39 above] [●]



## GUARANTEE BUILDING BLOCK{ TC "GUARANTEE BUILDING BLOCK" \f C \l "1" }

### 1. NATURE OF THE GUARANTEE

- 1.1 *A description of any arrangement intended to ensure that any obligation material to the issue will be duly serviced, whether in the form of guarantee, surety, Keep well Agreement, Mono-line Insurance policy or other equivalent commitment (hereafter referred to generically as "guarantees" and their provider as "guarantor" for convenience).*

Without prejudice to the generality of the foregoing, such arrangements encompass commitments to ensure obligations to repay debt securities and/or the payment of interest and the description shall set out how the arrangement is intended to ensure that the guaranteed payments will be duly serviced.

Banco Santander, S.A. (the "**Guarantor**" or the "**Bank**") has executed and delivered a Deed of Guarantee (the "**Senior Guarantee**") dated 15 June 2015 for the benefit of the Holders of Senior Instruments from time to time. The Guarantor shall, on an Issue by Issue basis, on or before the Issue Date of any Subordinated Instruments, for the benefit of Holders of Subordinated Instruments from time to time, execute and deliver a Deed of Guarantee (a "**Subordinated Guarantee**"). See the forms of the Guarantees under "Scope of the Guarantee" below.

### 2. SCOPE OF THE GUARANTEE

- 2.1 *Details shall be disclosed about the terms and conditions and scope of the guarantee. Without prejudice to the generality of the foregoing, these details should cover any conditionality on the application of the guarantee in the event of any default under the terms of the security and the material terms of any Mono-line Insurance or Keep well Agreement between the issuer and the guarantor. Details must also be disclosed of any guarantor's power of veto in relation to changes to the security holder's rights, such as is often found in Mono-line Insurance.*

The forms of Senior Guarantee and Subordinated Guarantee are as follows:

**FORM OF SENIOR GUARANTEE{ TC "FORM OF SENIOR GUARANTEE" \f C \l "1" }**

**THIS DEED OF SENIOR GUARANTEE** is made on 15 June 2015

BY

**BANCO SANTANDER, S.A.** (the "**Guarantor**")

IN FAVOUR OF the Holders of the Senior Instruments referred to below and the Accountholders (as defined in the Deed of Covenant) in respect of the Senior Instruments (the "**Senior Accountholders**").

WHEREAS:

- (A) Santander International Debt, S.A. Unipersonal ("**Santander International**" or the "**Issuer**") and Santander Issuances, S.A. Unipersonal ("**Santander Issuances**" and together with Santander International the "**Issuers**") have established a programme (the "**Programme**") for the continuous issuance of debt instruments in an aggregate principal amount outstanding at any one time not exceeding EUR 32,000,000,000 (the "**Instruments**"), in connection with which they have entered into a dealership agreement (the "**Dealership Agreement**") dated 15 June 2015 and made between the Issuers, the Guarantor and the Dealers named therein, and an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**") dated 15 June 2015 and made between, *inter alia*, the Issuers, the Guarantor and The Bank of New York Mellon, London Branch in its capacity as issue and paying agent (the "**Issue and Paying Agent**") and have executed a deed of covenant (the "**Deed of Covenant**") in respect of English law governed Instruments dated 15 June 2015.
- (B) The Guarantor has agreed to guarantee irrevocably the payment of principal and interest together with all other sums payable by (i) Santander International under the English law governed Instruments issued by Santander International on or after the date of this Deed of Senior Guarantee (the "**Senior Instruments**") and the Deed of Covenant and (ii) on an issue by issue basis, by Santander Issuances under the English law governed Instruments issued by Santander Issuances (the "**Subordinated Instruments**") and the Deed of Covenant.

NOW THIS DEED WITNESSES as follows:

**1. INTERPRETATION**

Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the Terms and Conditions of the Instruments or the Deed of Covenant have the same meanings in this Deed of Senior Guarantee.

**2. GUARANTEE AND INDEMNITY**

**2.1** The Guarantor hereby unconditionally and irrevocably guarantees:

- (a) to the Holder of each Senior Instrument the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of such Senior Instrument as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith in the manner and currency prescribed by the relevant Senior Instrument for payments by the Issuer in respect thereof, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Senior Instrument and which the Issuer has failed to pay; and
- (b) to each Senior Accountholder the due and punctual payment of all sums expressed to be payable from time to time by the Issuer to such Senior Accountholder under the Deed of Covenant as and when the same become due and payable and accordingly undertakes to pay to such Senior Accountholder, in the manner and currency prescribed by the Deed of Covenant for payments by the Issuer in respect of the Senior Instruments, any and every sum or sums which the Issuer is at any time liable to pay under the Deed of Covenant in respect of the Senior Instruments and which the Issuer has failed to pay.

- 2.2 The Guarantor undertakes to the Holder of each Senior Instrument and to each Senior Accountholder that, if any sum referred to in Clause 2.1 is not recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Senior Instrument or Deed of Covenant (or any provision thereof) being or becoming void, unenforceable or otherwise invalid under any applicable law), then, notwithstanding that the same may have been known to such Holder or Accountholder, the Guarantor will, forthwith upon demand by such Holder or Accountholder, pay such sum by way of a full indemnity in the manner and currency prescribed by such Senior Instrument or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Senior Guarantee and shall give rise to a separate and independent cause of action.

### 3. **PRESERVATION OF RIGHTS**

- 3.1 The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.
- 3.2 The obligations of the Guarantor hereunder shall be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Senior Instrument or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Senior Instruments and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.
- 3.3 Neither the obligations expressed to be assumed by the Guarantor herein nor the rights, powers and remedies conferred upon the Holders of Instruments and the Accountholders by this Deed of Senior Guarantee or by law shall be discharged, impaired or otherwise affected by:
- (a) the winding up or dissolution of the Issuer or analogous proceedings in any jurisdiction or any change in its status, function, control or ownership;
  - (b) any of the obligations of the Issuer under or in respect of any of the Senior Instruments or the Deed of Covenant being or becoming illegal, invalid or unenforceable;
  - (c) time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under or in respect of any of the Senior Instruments or the Deed of Covenant;
  - (d) any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of any of the Senior Instruments or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or
  - (e) any other act, event or omission which, but for this Clause 3.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders of the Senior Instruments, the Accountholders or any of them by this Deed of Senior Guarantee or by law.
- 3.4 Any settlement or discharge between the Guarantor and the Holders of the Senior Instruments, the Senior Accountholders or any of them shall be conditional upon no payment to the Holders of the Senior Instruments, the Senior Accountholders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders of the Senior Instruments and the Senior Accountholders shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- 3.5 The obligations of the Guarantor are independent of those of the Issuer. The Guarantor shall remain liable as the principal and sole debtor hereunder pursuant to the terms of this Guarantee, and

shall not be able to demand that the Holders of the Senior Instruments exhaust any of their rights or take any legal action against the Issuer prior to taking action against the Guarantor.

3.6 No Holder of a Senior Instrument or Senior Accountholder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Senior Guarantee or by law:

- (a) to make any demand of the Issuer, other than the presentation of the relevant Senior Instrument;
- (b) to take any action or obtain judgment in any court against the Issuer; or
- (c) to make or file any claim or proof in a winding up or dissolution of the Issuer,

and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Senior Instrument, presentment, demand, protest and notice of dishonour.

3.7 The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Senior Instruments or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any right which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

- (a) to be indemnified by the Issuer;
- (b) to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Senior Instruments or the Deed of Covenant;
- (c) to take the benefit (in whole or in part) of any security enjoyed in connection with any of the Senior Instruments or the Deed of Covenant by any Holder of a Senior Instrument or Senior Accountholder; or
- (d) to be subrogated to the rights of any Holder of a Senior Instrument or Senior Accountholder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Senior Guarantee.

4. **STATUS**

The Guarantor undertakes that its obligations in respect of Senior Instruments hereunder will at all times constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), will rank *pari passu* and rateably without preference among such obligations of the Guarantor in respect of the Senior Instruments of the same Series and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future.

5. **DELIVERY**

A duly executed original of this Deed of Senior Guarantee shall be delivered promptly after execution to the Issue and Paying Agent and such originals shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Deed of Senior Guarantee and in all Senior Instruments then outstanding from time to time occurs and no further Senior Instruments can be issued under the Programme. A certified copy of this Deed of Senior Guarantee may be obtained by the relevant Commissioner, any Holder of a Senior Instrument or any Senior Accountholder from the Issue and Paying Agent at its specified office at the expense of the relevant Commissioner or such Holder or Accountholder. Any Holder of a Senior Instrument or Senior Accountholder may protect and enforce his rights under this Deed of Senior Guarantee (in the courts specified in Clause 11 below) upon the basis

described in the Deed of Covenant (in the case of an Accountholder) and a copy of this Deed of Senior Guarantee certified as being a true copy by a duly authorised officer of the Issue and Paying Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Deed of Senior Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders of Senior Instruments and Senior Accountholders. This Clause shall not limit any right of any Holder of a Senior Instrument or Senior Accountholder to the production of the originals of such records or documents or this Deed of Senior Guarantee in evidence.

## **6. CONTRACTUAL CURRENCY**

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

## **7. TERMS AND CONDITIONS OF THE INSTRUMENTS**

The Guarantor hereby undertakes to comply with and be bound by those provisions of the terms and conditions of the Instruments which relate to it.

## **8. BENEFIT OF DEED OF SENIOR GUARANTEE**

- 8.1 This Deed of Senior Guarantee shall take effect as a deed poll for the benefit of the Holders of the Senior Instruments and the Senior Accountholders from time to time.
- 8.2 The obligations expressed to be assumed by the Guarantor herein shall ensure for the benefit of each Holder of a Senior Instrument and Senior Accountholder, and each Holder of a Senior Instrument and Senior Accountholder shall be entitled severally to enforce such obligations against the Guarantor upon the basis described in the Deed of Covenant.
- 8.3 The Guarantor may not assign or transfer all or any of its rights, benefits or obligations hereunder, provided, however, that the foregoing shall not preclude the Guarantor from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation or any other entity permitted by applicable laws without obtaining any approval of such Holders of Senior Instruments.
- 8.4 This Guarantee is solely for the benefit of the Holders of Senior Instruments and is not separately transferable from the Instruments.

- 8.5 Except for those changes (a) which do not adversely affect the rights of Holders of Senior Instruments or (b) which are necessary or desirable to give effect to any one or more transactions referred to in the proviso to Clause 8.3 (in any of which cases no agreements will be required), this Guarantee shall be changed only by agreement in writing signed by the Guarantor with the prior approval of a resolution of each Syndicate of Holders of the Instruments.
- 8.6 Any Senior Instruments issued under the Programme on or after the date of this Deed of Senior Guarantee shall have the benefit of this Deed of Senior Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

## 9. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## 10. **NOTICES**

- 10.1 All communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Banco Santander, S.A.  
Ciudad Grupo Santander  
Edificio Encinar, Planta 2ª  
Avenida de Cantabria, s/n  
28660 Boadilla del Monte  
Madrid  
Spain

Fax: +34 91 257 1473  
Attention: Emisiones Corporativas

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders of the Senior Instruments in the manner prescribed for the giving of notices in connection with the Senior Instruments.

- 10.2 Every communication sent in accordance with Clause 10.1 shall be effective upon receipt by the Guarantor *provided that* any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

## 11. **LAW AND JURISDICTION**

- 11.1 Save for Clause 4 (*Status*) which shall be governed by Spanish law, this Deed of Senior Guarantee and all non-contractual obligations arising out of or in connection with it are governed by English law.
- 11.2 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or in connection with this Deed of Senior Guarantee (including a dispute relating to the existence, validity or termination of this Deed of Senior Guarantee or any non-contractual obligation arising out of or in connection with this Deed of Senior Guarantee) or the consequences of its nullity.
- 11.3 The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 11.4 Clause 11.2 is for the benefit of the Holders of the Senior Instruments and the Senior Accountholders only. As a result, nothing in this Clause 11 (*Law and Jurisdiction*) prevents the

Holders of the Senior Instruments and the Senior Accountholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Holders of the Senior Instruments and the Senior Accountholders may take concurrent Proceedings in any number of jurisdictions.

- 11.5 Without prejudice to any other mode of service allowed under any relevant law, the Guarantor irrevocably (a) appoints Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London, NW1 3AN as its agent for service of process in relation to any Proceedings or, if different, at any other address of the Guarantor in Great Britain at which service of process may from time to time be served on it and (b) agrees that failure by an agent for service of process to notify the Guarantor of the process will not invalidate the Proceedings concerned. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder of a Senior Instrument or Senior Accountholder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder of a Senior Instrument or Senior Accountholder shall be entitled to appoint such a person by written notice addressed and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder of a Senior Instrument or Senior Accountholder to serve process in any other manner permitted by law. This Clause applies to Proceedings in England and to Proceedings elsewhere.

**IN WITNESS** whereof this Deed of Senior Guarantee has been executed as a deed by a duly authorised attorney on behalf of the Guarantor and is intended to be and is hereby delivered on the date first above written.

EXECUTED AS A DEED by )  
**BANCO SANTANDER, S.A.** )  
acting by [*INSERT NAME OF SIGNATORY*] ) .....

acting under the authority )  
of that company, )  
in the presence of: )  
[*INSERT NAME OF WITNESS*]

Witness: .....

Name: .....

Address: .....



**FORM OF SUBORDINATED GUARANTEE{ TC "FORM OF SUBORDINATED GUARANTEE" \f C \l "1" }**

THIS DEED OF SUBORDINATED GUARANTEE is made on [on or before relevant Issue Date]

BY

(1) **BANCO SANTANDER, S.A.** (the "**Guarantor**")

**IN FAVOUR OF**

- (2) THE HOLDERS for the time being and from time to time of the Subordinated Instruments referred to below (each a "*Holder*" of a Subordinated Instrument); and
- (3) **THE ACCOUNTHOLDERS** (as defined in the Deed of Covenant described below) (together with the Holders, the "**Beneficiaries**").

**WHEREAS:**

- (A) Santander International Debt, S.A. Unipersonal ("**Santander International**") and Santander Issuances, S.A. Unipersonal ("**Santander Issuances**") (each, an "**Issuer**" and together, the "**Issuers**") have established a programme (the "**Programme**") for the continuous issuance of debt instruments in an aggregate principal amount outstanding at any one time not exceeding EUR 32,000,000,000 (the "**Instruments**"), in connection with which they have entered into a dealership agreement (the "**Dealership Agreement**") dated 15 June 2015 and made between the Issuers, the Guarantor and the Dealers named therein, and an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**") dated 15 June 2015 and made between, inter alia, the Issuers and The Bank of New York Mellon, London Branch in its capacity as issue and paying agent (the "**Issue and Paying Agent**") and have executed a deed of covenant (the "**Deed of Covenant**") in respect of English law governed Instruments dated 15 June 2015.
- (B) The Guarantor has agreed to guarantee irrevocably the payment of principal and interest together with all other sums payable by (i) Santander Issuances under the [[*currency*]][*amount*]] Subordinated Instruments due [*date*] issued by Santander Issuances (the "**Subordinated Instruments**") and, on an issue by issue basis any other subordinated instruments issued by Santander Issuances under the Programme, and the Deed of Covenant and (ii) by Santander International under the English law governed Instruments issued by Santander International on or after the date of the Deed of Senior Guarantee executed by the Guarantor on 15 June 2015 (the "**Senior Instruments**") and the Deed of Covenant.

**NOW THIS DEED OF SUBORDINATED GUARANTEE WITNESSES as follows:**

**1. INTERPRETATION**

**1.1 Definitions:**

In this Deed of Subordinated Guarantee the following expressions have the following meanings:

"**Terms and Conditions**" means the terms and conditions of the Subordinated Instruments, and any reference to a numbered "**Condition**" is to the correspondingly numbered provision thereof;

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

## 1.2 ***Other defined terms***

Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the Terms and Conditions or the Deed of Covenant have the same meanings in this Deed of Subordinated Guarantee.

## 1.3 ***Clauses***

Any reference in this Deed of Subordinated Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

## 1.4 ***Headings***

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Subordinated Guarantee.

# 2. **SUBORDINATED GUARANTEE AND INDEMNITY**

## 2.1 ***Subordinated Guarantee***

The Guarantor hereby unconditionally and irrevocably guarantees:

2.1.1 to the Holder of each Subordinated Instrument the due and punctual payment of all sums from time to time payable by the Issuer in respect of such Subordinated Instrument as and when the same become due and payable and accordingly undertakes to pay to such Holder, in the manner and currency prescribed by the Terms and Conditions for payments by the Issuer in respect of the Subordinated Instruments, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Subordinated Instrument and which the Issuer has failed to pay, subject to the provisions of Clause 4.7; and

2.1.2 to each Accountholder the due and punctual payment of all sums from time to time payable by the Issuer to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Accountholder, in the manner and currency prescribed by the Terms and Conditions for payments by the Issuer in respect of the Subordinated Instruments, any and every sum or sums which the Issuer is at any time liable to pay to such Accountholder in respect of the Subordinated Instruments and which the Issuer has failed to pay, subject to the provisions of Clause 4.7.

## 2.2 ***Indemnity***

The Guarantor irrevocably and unconditionally agrees as a primary obligation to indemnify each Beneficiary from time to time from and against any loss incurred by such Beneficiary as a result of any of the obligations of the Issuer under or pursuant to any Subordinated Instrument, the Deed of Covenant or any provision thereof being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to such Beneficiary or any other person, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Issuer. Any amount payable pursuant to this indemnity shall be payable in the manner and currency prescribed by the Terms and Conditions for payments by the Issuer in respect of the Subordinated Instruments, but subject always to the provisions of Clause 4.7. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Subordinated Guarantee and shall give rise to a separate and independent cause of action.

# 3. **COMPLIANCE WITH CONDITIONS**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Terms and Conditions.

#### **4. PRESERVATION OF RIGHTS**

##### **4.1 *Principal obligor***

The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

##### **4.2 *Continuing obligations***

The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Subordinated Instrument or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Subordinated Instruments and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

##### **4.3 *Obligations not discharged***

Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries by this Deed of Subordinated Guarantee or by law shall be discharged, impaired or otherwise affected by:

- 4.3.1 the winding up, dissolution, administration or re-organisation of the Issuer or any change in its status, function, control or ownership;
- 4.3.2 any of the obligations of the Issuer under or in respect of the Subordinated Instruments or the Deed of Covenant being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- 4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of any of its obligations under or in respect of the Subordinated Instruments or the Deed of Covenant;
- 4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of the Subordinated Instruments or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or
- 4.3.5 any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Subordinated Guarantee or by law.

##### **4.4 *Settlement conditional***

Any settlement or discharge between the Guarantor and the Beneficiaries or any of them shall be conditional upon no payment to the Beneficiaries or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

##### **4.5 *Exercise of Rights***

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Subordinated Guarantee or by law:

- 4.5.1 to make any demand of the Issuer, save for the presentation of the relevant Subordinated Instrument;
- 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
- 4.5.3 to make or file any claim or proof in a winding up or dissolution of the Issuer, and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonour in respect of each Subordinated Instrument.

#### 4.6 ***Deferral of Guarantor's Rights***

The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Subordinated Instruments or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any rights which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

- 4.6.1 to be indemnified by the Issuer;
- 4.6.2 to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Subordinated Instruments or the Deed of Covenant; or
- 4.6.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of any Beneficiary against the Issuer in respect of amounts paid by the Guarantor under this Deed of Subordinated Guarantee or any security enjoyed in connection with the Subordinated Instruments or the Deed of Covenant by any Beneficiary.

#### 4.7 ***Status and Covenants***

- 4.7.1 This Deed of Subordinated Guarantee constitutes direct, unconditional subordinated and unsecured obligations of the Guarantor.
- 4.7.2 The Guarantor undertakes that its obligations hereunder will at all times rank (in relation to the Subordinated Instruments) as described in Condition 3.04.

### 5. **DEPOSIT OF DEED OF SUBORDINATED GUARANTEE**

This Deed of Subordinated Guarantee shall be deposited with and held by the Issue and Paying Agent until after all the obligations of the Issuer under or in respect of the Subordinated Instruments and the Deed of Covenant have been discharged in full. The Guarantor hereby acknowledges the right of every Beneficiary and the relevant Commissioner to the production of this Deed of Subordinated Guarantee.

### 6. **CONTRACTUAL CURRENCY**

The currency in which the relevant Subordinated Instrument is denominated or, if different, payable (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor in respect of the Subordinated Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Beneficiary in respect of any sum expressed to be due to it from the Guarantor hereunder shall only constitute a discharge to the Guarantor to the extent of the amount in the Contractual Currency which such Beneficiary is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Beneficiary in respect of the relevant Subordinated Instrument the Guarantor shall indemnify such Beneficiary against any loss sustained by such Beneficiary as a result. In any event, the Guarantor shall indemnify each such Beneficiary

against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate independent obligation from the Guarantor's other obligations hereunder, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Beneficiary and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Subordinated Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the Beneficiary and no proof or evidence of any actual loss will be required by the Guarantor.

## **7. STAMP DUTIES**

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Subordinated Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

## **8. BENEFIT OF DEED OF SUBORDINATED GUARANTEE**

### **8.1 *Deed poll***

This Deed of Subordinated Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

### **8.2 *Benefit***

This Deed of Subordinated Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Subordinated Guarantee against the Guarantor upon the basis described in the Deed of Covenant.

### **8.3 *Assignment***

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder, however the Subordinated Guarantee is not separately transferable from the Subordinated Instruments.

## **9. PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## 10. NOTICES

### 10.1 *Address for notices*

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Ciudad Grupo Santander  
Edificio Encinar, Planta 2ª  
Avenida de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

Fax: +34 91 257 1473  
Attention: Emisiones Corporativas

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders in the manner prescribed for the giving of notices in connection with the Subordinated Instruments.

### 10.2 *Effectiveness*

Every notice or other communication sent in accordance with Clause 10.1 shall be effective upon receipt by the Guarantor *provided that* any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

## 11. LAW AND JURISDICTION

### 11.1 *Governing law*

This Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with it are governed by English law save for Clause 4.7 (*Status and Covenants*) which shall be governed by Spanish law.

### 11.2 *English courts*

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or in connection with this Deed of Subordinated Guarantee (including a dispute relating to the existence, validity or termination of this Deed of Subordinated Guarantee or any non-contractual obligation arising out of or in connection with this Deed of Subordinated Guarantee) or the consequences of its nullity.

### 11.3 *Appropriate forum*

The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

### 11.4 *Rights of the Beneficiaries to take proceedings outside England*

Clause 11.2 is for the benefit of the Beneficiaries only. As a result, nothing in this Clause 11 prevents any Beneficiary from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Beneficiaries may take concurrent Proceedings in any number of jurisdictions.

### 11.5 *Service of process*

Without prejudice to any other mode of service allowed under any relevant law, the Guarantor irrevocably (a) appoints Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London, NW1 3AN as its agent for service of process in relation to any Proceedings or, if different, at any other address of the Guarantor in Great Britain at which service of process may from time to time be served on it and (b) agrees that failure by an agent for service of process to notify the Issuer and the Guarantor of the process will not invalidate the Proceedings concerned. If the appointment of the person mentioned in this Clause 11.5 ceases to be effective, the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law. This condition applies to proceedings in England and to proceedings elsewhere.

## 12. **MODIFICATION**

Any modification of any provision of this Deed of Subordinated Guarantee may be made by supplemental deed poll if sanctioned by a resolution of the Syndicate of Holders of the Instruments.

IN WITNESS whereof this Deed of Subordinated Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

EXECUTED AS A DEED by )  
**BANCO SANTANDER, S.A.** )  
acting by *[INSERT NAME OF SIGNATORY]*) .....

acting under the authority )  
of that company, )  
in the presence of: )  
*[INSERT NAME OF WITNESS]*

Witness: .....

Name: .....

Address: .....

## **REGISTERED OFFICES OF THE ISSUERS**

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

Ciudad Grupo Santander  
Avenida de Cantabria, s/n  
28660 Boadilla del Monte  
Madrid  
Spain

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

Ciudad Grupo Santander  
Avenida de Cantabria, s/n  
28660 Boadilla del Monte  
Madrid  
Spain

## **REGISTERED OFFICE OF THE GUARANTOR**

### **Banco Santander, S.A.**

Paseo de Pereda 9-12  
39004 Santander  
Spain

## **HEAD OFFICE OF THE GUARANTOR**

### **Banco Santander, S.A.**

Ciudad Grupo Santander  
Avda de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

## **ARRANGERS**

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **Banco Santander, S.A.**

Ciudad Grupo Santander  
Avda. de Cantabria, s/n  
28660 Boadilla del Monte  
Madrid  
Spain



## DEALERS

### **Banco Santander, S.A.**

Gran Vía de Hortaleza 3  
Edificio Pedreña  
28003 Madrid  
Madrid  
Spain

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

### **BNP Paribas**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

### **Commerzbank Aktiengesellschaft**

Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

### **Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
United Kingdom

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

### **J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

### **Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **Nomura International plc**

1 Angel Lane  
London EC4R 3AB  
United Kingdom

### **Société Générale**

29 boulevard Haussmann  
75009 Paris  
France

### **The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

### **UBS Limited**

1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

### **Crédit Agricole Corporate and Investment Bank**

9, Quai du Président Paul Doumer  
92920 Paris La Défense Cedex  
France

**AUDITORS OF THE ISSUERS AND THE GUARANTOR**

**Deloitte, S.L.**

Plaza Pablo Ruiz Picasso, 1  
Torre Picasso  
28020 Madrid  
Spain

**ISSUE AND PAYING AGENT**

**The Bank of New York Mellon, London Branch**

One Canada Square  
London E14 5AL  
United Kingdom

**REGISTRAR**

**The Bank of New York Mellon (Luxembourg) S.A.**

Vertigo Building - Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg

**GERMAN PAYING AGENT**

**The Bank of New York Mellon, Frankfurt Branch**

MesseTurm  
Friedrich-Ebert-Anlage 49  
6037 Frankfurt am main  
Germany

**IRISH LISTING AGENT**

A&L Listing Limited  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

**LEGAL ADVISERS**

*To the Issuers and the Guarantor*

*As to Spanish Law*

**Natalia Butragueño**

Ciudad Grupo Santander  
Edificio Pinar  
Avda de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

*To the Dealers*

*As to English law and Spanish law*

**DLA Piper Spain S.L.**

Paseo de la Castellana, 35  
28046 Madrid  
Spain