

CRITERIA FOR PREVENTION OF CONFLICTS OF INTEREST

I.- INTRODUCTION

Banco Santander, S.A. (hereinafter, Banco Santander or the Bank) has regulated procedures and criteria to prevent conflicts of interest which might arise as a result of the different activities and functions developed by the Bank, or between its interests and those of its customers and those of its directors and senior management.

Furthermore, in view of the structure of Grupo Santander, it is possible that conflicts of interest could arise due to the different lines of authority and information flows between the parent company and the subsidiaries.

The Group has a General Code of Conduct in place which comprises the ethical principles and rules of conduct to which all persons subject to it, i.e. the members of the administrative body and employees of the Bank and of the other Group companies must adhere, and which sets out certain procedures to prevent conflicts of interest of the persons subject to it, both with the Group's interests, and the interests of its customers.

Another internal regulation is in place, which complements and implements the rules set out in the General Code of Conduct, and which establishes certain mechanisms to prevent conflicts of interest, applicable to persons subject to them, according to their terms. The internal codes or standards which currently contain a regulation of conflicts of interest in relation to the different spheres of activity, and in addition to the General Code of Conduct, are as follows:

- Rules and Regulations of the Board of Directors.
- Code of Conduct of the Securities Market.
- Code of Conduct on Research Activities.

II.- PARENT-SUBSIDIARIES RELATIONSHIP

Banco Santander, S.A., as the parent company of Grupo Santander, structures its governance in such a way as to ensure that it is equipped with an adequate control system. This system works through important figures and committees which guarantee the oversight and control of risks to which the Group and its constituent entities are exposed, and, ultimately, under the responsibility of the oversight and control of its board of directors and its committees, ensures that it has a robust internal governance system, monitoring the application and performance of policies to identify any possible conflicts of interest, in order to prevent them, and, if applicable, to manage them appropriately.

The Group has approved a Governance Model, which establishes that subsidiaries must have their own governance system, and also have a figure who reports functionally to the Group's relevant figure.

Banco Santander also applies an internal governance framework and corporate (or "thematic") frameworks, so as to adopt a common approach to matters which have considered to be relevant due to their impact on the Group's risk profile. Matters of particularly great importance include risks, capital, liquidity, corporate governance, auditing, accounting and information, finance, technology, marketing of products and services, anti-money laundering- or branding and communication: (i) the way in which the Groups exercises its oversight and control of its subsidiaries; and (ii) the Group's participation in certain important decisions taken by the subsidiaries.

III.- CONFLICTS OF INTEREST-DIRECTORS

Independently of the directors' adherence to the ethical principles of the General Code of Conduct, as far as possible conflicts of interest between the Bank's interests and those of its directors is concerned, the Rules and Regulations of the Board of Directors expressly regulates the duty of loyalty with which the Banks' directors must perform their duties, acting in good faith and in the Bank's best interests. The Rules and Regulations of the Board of Directors expressly states (i) that all directors are obligated to avoid situations in which their interests, either on their own account or on account of a third party, could come into conflict with the corporate interest and with their duties for the Company, and (ii) their duties of refraining from acting in such a way that they or a related party could be a beneficiary, precisely by avoiding conflicts of interest situations. However, this will not apply to related party transactions or operations performed which do not require the board's authorisation.

Subject to the Rules and Regulations of the Board of Directors, directors also have to disclose not only any situation of direct or indirect conflict which they or persons related to them could have with the Company's interests, information which will be set out in the annual report and in the annual corporate governance report, but also the direct shareholding which they and their related parties might have in the capital of a company with the same, similar or complementary sector of activity as the corporate purpose, and the positions and functions they perform within such a company, except for the positions held in Group companies.

The Rules and Regulations of the Board of Directors expressly states that transactions performed by the Bank or Group companies with directors, with shareholders who own a significant shareholding either individually or together with others, including shareholders represented in the board of the Bank or other Group companies or with related persons ("Related Party Transactions") will require the board's authorisation, once a favourable report has been handed down by the audit committee (except in cases in which the general shareholders' meeting is responsible for approving such transactions). Such transactions will be evaluated from the light of the principle of equal treatment amongst all shareholders and the prevailing market conditions, and will be included in the annual corporate governance report and in the periodic public information under the terms envisaged in applicable regulations. Without prejudice to the foregoing, the regulation establishes that the board's authorisation will not be required in the case of related party transactions which comply with all of the conditions set forth in article 529 b h) of the Corporate Enterprises Act (in other words, (i) they are performed by virtue of contracts whose conditions are basically standardised and which are commonly applied to customers who contract the type of product or service in question; (ii) which are performed at prices or tariffs generally established by whoever acts as the supplier of the good or service in question, or, when the transactions concern goods or services in which there are no established tariffs, under normal market conditions, similar to those applied in commercial relations held with customers with similar characteristics; and (iii) that their amount is not in excess of 1% of the Company's revenue)

Once a year, the audit committee draws up a related party transactions report which is published on its website sufficiently in advance of the general shareholders' meeting.

Lastly, and independently of the fact that the directors are subject to the rules applicable in the Code of Conduct of the Securities Market, the Rules and Regulations of the Board of Directors also stipulates that the director has the duty of inactivity, or of refraining from performing, or suggesting that any person perform, transactions using shares of the Bank or of the associated or related subsidiaries about which, because of their position, they have insider or reserved information, as long as this information is not publicly disclosed.