**Information Memorandum dated 16 April 2020**

# BANCO SANTANDER, S.A.

(*incorporated with limited liability under the laws of Spain*)

## €15,000,000,000

# EURO-COMMERCIAL PAPER PROGRAMME

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Euro-commercial paper notes (the "**Notes**") issued during the twelve months after the date of this document under the €15,000,000,000 Euro-commercial paper programme (the "**Programme**") of Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Bank**" or the "**Issuer**"); described in this document to be admitted to the official list of Euronext Dublin (the "**Official List**") and trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**").

There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "*Risk Factors*" on pages 2-23 of this Information Memorandum).

Potential purchasers should note the statements on pages 90-98 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014, of 26 June on regulation, supervision and solvency of credit entities ("**Law 10/2014**") on the Issuer relating to the Notes. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information is not received by the Issuer in a timely manner.

*Arranger*

Barclays

*Dealers*

Barclays
Crédit Agricole CIB
Goldman Sachs International
J.P. Morgan
Santander Corporate and Investment Banking (SCIB)
UBS Investment Bank

Citigroup
Credit Suisse
ING
Rabobank
Société Générale

## IMPORTANT NOTICE

This Information Memorandum (together with any supplementary information memorandum and any documents incorporated by reference, the "**Information Memorandum**") contains summary information provided by the Issuer in connection with a euro-commercial paper programme (the "**Programme**") under which the Issuer may issue and have outstanding at any time euro-commercial paper notes (the "**Notes**") up to a maximum aggregate amount of €15,000,000,000 or its equivalent in alternative currencies. Under the Programme, the Issuer may issue Notes outside the United States pursuant to Regulation S ("**Regulation S**") of the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Issuer has, pursuant to an amended and restated dealer agreement dated 16 April 2020 (the "**Dealer Agreement**"), appointed Barclays Bank PLC as arranger for the Programme (the "**Arranger**"), appointed Banco Santander, S.A., Barclays Bank Ireland PLC; Barclays Bank PLC; Citigroup Global Markets Limited; Citigroup Global Markets Europe AG; Coöperatieve Rabobank U.A.; Crédit Agricole Corporate and Investment Bank; Credit Suisse Securities (Europe) Limited; Credit Suisse Securities Sociedad de Valores S.A.; Goldman Sachs International; ING Bank N.V.; J.P. Morgan AG; J.P. Morgan Securities plc; Société Générale and UBS Europe SE as dealers for the Notes (together with the Arranger, the "**Dealers**"), and authorised and requested the Dealers to circulate the Information Memorandum in connection with the Programme on their behalf to purchasers or potential purchasers of the Notes.

The Issuer accepts responsibility for the information contained in this Information Memorandum and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer, the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notice of the aggregate nominal amount of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each issue of Notes will be set out in final terms (each the "**Final Terms**") which will be attached to the relevant form of Note (see "*Forms of Notes*"). Each Final Terms will be supplemental to and must be read in conjunction with the full terms and conditions of the Notes, which are set out in the form of Note (as appropriate). The relevant Final Terms are also a summary of the terms and conditions of the Notes for the purposes of listing. Copies of each Final Terms containing details of each particular issue of Notes will be available from the specified office set out below of the Issuing and Paying Agent (as defined below).

The Issuer has confirmed to the Dealers that the information contained or incorporated by reference in the Information Memorandum is true, accurate and complete in all material respects and is not misleading and there are no other facts in relation thereto the omission of which would in the context of the Programme or the issue of the relevant Notes make any statement in the Information Memorandum misleading in any material respect, and all reasonable enquiries have been made to verify the foregoing and the opinions and intentions expressed therein are honestly held and, in relation to each issue of Notes agreed as contemplated in the Dealer Agreement to be issued and subscribed, the Information Memorandum together with the relevant Final Terms contains all the information which is material in the context of the issue of such Notes.

Neither the Issuer, the Arranger nor the Dealers accept any responsibility, express or implied, for updating the Information Memorandum and neither the delivery of the Information Memorandum nor any offer or sale made on the basis of the information in the Information Memorandum shall under any circumstances create any implication that the Information Memorandum is accurate at any time subsequent to the date thereof with respect to the Issuer or that there has been no change in the business, financial condition or affairs of the Issuer since the date thereof.

This Information Memorandum comprises listing particulars made pursuant to the Listing and Admission to Trading Rules for Short Term Paper published by Euronext Dublin. This Information Memorandum should be read and construed with any supplemental Information Memorandum, any Final Terms and with any other document incorporated by reference.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer and the companies whose accounts are consolidated with those of the Issuer (together, the "**Group**" or "**Grupo Santander**") or the Notes other than as contained or incorporated by reference in this Information Memorandum, in the Dealer Agreement (as defined herein), in any other document prepared in connection with the Programme or in any Final Terms or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Arranger, the Dealers or any of them.

Neither the Arranger nor any Dealer has independently verified the information contained in the Information Memorandum. Accordingly, no representation or warranty or undertaking (express or implied) is made, and no responsibility or liability is accepted by the Arranger or the Dealers as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, any information or statement contained in the Information Memorandum, any Final Terms or in or from any accompanying or subsequent material or presentation.

The information contained in the Information Memorandum or any Final Terms is not and should not be construed as a recommendation by the Arranger, the Dealers or the Issuer that any recipient should purchase Notes. Each such recipient must make and shall be deemed to have made its own independent assessment and investigation of the financial condition, affairs and creditworthiness of the Issuer and of the Programme as it may deem necessary and must base any investment decision upon such independent assessment and investigation and not on the Information Memorandum or any Final Terms.

Neither the Arranger nor any Dealer undertakes to review the business or financial condition or affairs of the Issuer during the life of the Programme, nor undertakes to advise any recipient of the Information Memorandum or any Final Terms of any information or change in such information coming to the Arranger's or any Dealer's attention.

Neither the Arranger nor any of the Dealers accepts any liability in relation to this Information Memorandum or any Final Terms or its or their distribution by any other person. This Information Memorandum does not, and is not intended to, constitute (nor will any Final Terms constitute, or be intended to constitute) an offer or invitation to any person to purchase Notes. The distribution of this Information Memorandum and any Final Terms and the offering for sale of Notes or any interest in such Notes or any rights in respect of such Notes, in certain jurisdictions, may be restricted by law. Persons obtaining this Information Memorandum, any Final Terms or any Notes or any interest in such Notes or any rights in respect of such Notes are required by the Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. In particular, but without limitation, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Information Memorandum and other information in relation to the Notes and the Issuer as set out under "Subscription and Sale" below.

**Product Governance under Directive 2014/65/EU (as amended)**

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

In particular, solely by virtue of its appointment as Arranger or Dealer, as applicable, neither the arranger nor any Dealer nor any of their respective affiliates will be a manufacturer for the purposes of the MiFID Product Governance Rules.

**THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY U.S. STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (REGULATION S")) ("U.S. PERSONS") UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION.**

**The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Information Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Information Memorandum. Any representation to the contrary is unlawful.**

The Issuer has undertaken, in connection with the admission to listing of the Notes on the Official List and the admission to trading of the Notes on the regulated market of Euronext Dublin, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the terms and conditions of the Notes, that is material in the context of the issuance of Notes under the Programme, the Issuer will prepare or procure the preparation of an amendment or supplement to this Information Memorandum or, as the case may be, publish a new Information Memorandum, for use in connection with any subsequent issue by the Issuer of Notes to be admitted to the Official List and to trading on the regulated market of Euronext Dublin. Any such supplement to this Information Memorandum will be subject to the approval of Euronext Dublin prior to its publication.

This Information Memorandum describes certain Spanish tax implications and tax information procedures in connection with an investment in the Notes (see "*Risk Factors – Risks in Relation to the Notes – Risks in Relation to Spanish Taxation*", "*Taxation – Taxation in Spain*" and Exhibit 1). Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

Amounts payable under the Notes may be calculated or otherwise determined by reference to a reference rate or an index or a combination of indices and amounts payable on the Notes issued under the Programme may in certain circumstances be determined in part by reference to such reference rates or indices. Any such index may constitute a benchmark for the purposes of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**"). If any such reference rate or index does constitute such a benchmark the applicable final terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of the BMR. Not every reference rate or index will fall within the scope of the BMR. Furthermore the transitional provisions in Article 51 of the BMR apply such that the administrator of a particular benchmark may not currently be required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence) at the date of the applicable final terms.

**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") -** Unless otherwise stated in the applicable Final Terms, all Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**")) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Product and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**Interpretation**

In the Information Memorandum, references to "**euro**", and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended; references to "**Sterling**" and "**£**" are to pounds sterling; references to "**U.S. Dollars**" and "**U.S.$**" are to United States dollars; references to "**JPY**" and "**¥**" are to Japanese Yen; references to "**CHF**" are to Swiss Francs; references to "**A$**" are to Australian dollars; references to "**C$**" are to Canadian dollars and references to "**NZ$**" are to New Zealand dollars .

Where the Information Memorandum refers to the provisions of any other document, such reference should not be relied upon and the document must be referred to for its full effect.

**CONTENTS**

## RISK FACTORS

*The Bank believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.*

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

*The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Bank to pay any amounts due on or in connection with any Notes or the Deed of Covenant may occur for other reasons and the Bank does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in, or incorporated by reference into, this Information Memorandum and reach their own views prior to making any investment decision. Words and expressions defined in the "Forms of the Notes" below or elsewhere in this Information Memorandum have the same meanings in this "Risk Factors" section.*

*Any reference throughout the risks factors to "**we**", "**our**" and "**us**" will also refer to the Bank and its Group.*

### Macro-Economic and Political Risks

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

*Geographical exposure of the loan book*

The Group's loan portfolio is concentrated mainly in Europe (in particular, Spain and the UK), North America (in particular the United States) and South America (in particular Brazil). At 31 December 2019, Europe accounted for 72 per cent. of our total loan portfolio (Spain accounted for 20 per cent. of our total loan portfolio and the UK, where the loan portfolio consists primarily of residential mortgages, 29 per cent.), North America accounted for 14 per cent. (of which the United States represents 10 per cent. of our total loan portfolio) and South America accounted for 13 per cent. (of which Brazil represents 8 per cent. of our total loan portfolio. Accordingly, the recoverability of these loan portfolios in particular, and our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Europe (in particular, Spain and the UK), North America and South America.

*Economic slowdown, recession or depression*

A return to recessionary conditions in the economies of Europe (in particular, Spain and the UK), the United States or some of the South American countries in which the Group operates, would likely have a significant adverse impact on the Group’s loan portfolio and sovereign debt holdings and, as a result, on its financial condition, cash flows and results of operations.

Most of the countries in which the Group operates have recovered from the economic depression that occurred in 2007-2009, although this recovery may not be sustainable. A further recession could lead to major financial institutions suffering from major economic difficulties resulting in significant runs on deposits and therefore requiring government assistance and a reduction in the volume of funds such major financial institutions lend to their customers (including other financial institutions). If, as a result, capital market funding is no longer possible or becomes excessively onerous, the Group could be forced to raise the interest rates it pays on deposits, which could ultimately prevent it from meeting the maturities of some of its commitments. A significant increase in funding costs or greater difficulties in accessing capital markets or an increase in the rates the Group pays for deposits could have a material adverse effect on the Group's interest margins and liquidity.

The Group’s results are also affected by other market conditions on a global and local scale. The increase in protectionism over the last few years could contribute to the debilitation of international trade, which could affect the Group’s traditional business lines. In addition, any tension or uncertainty in the context of international commerce, such as was the case between the United States and China in 2018 and 2019, could have a negative impact on the Group’s operations and results. Furthermore, the immigration policies of different countries, including the United States, could change as a result. Since December 2019, a new variety of coronavirus has spread in China and other countries, causing uncertainty in relation to the potential impact of the virus on the global and local economic activity. An increase in protectionism or trade tensions, higher barriers to immigration and the uncertainty caused by

the effects of the coronavirus could have a negative impact on the economies of the countries in which the Group operates, which could affect its operating results, financial situation and business prospects.

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

(i) Reduced demand for our products and services.

(ii) Increased regulation of our industry. Compliance with such regulation will continue to increase the Group's costs and may affect the pricing for our products and services, increase its conduct and regulatory risks related to non-compliance and limit its ability to pursue business opportunities.

(iii) Inability of the Group's borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of the Group's retail customers and may adversely affect the recoverability of its retail loans, resulting in increased loan losses.

(iv) The process the Group uses to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our 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 its loan loss allowances.

(v) The value and liquidity of the Group's portfolio of investment securities may be adversely affected.

*The European Union*

The process of fiscal and financial integration in the EU, although not completed, has limited an individual country's ability to address potential economic crises with its own fiscal and monetary policies. In the past, the European Central Bank (the "**ECB**") and European Council have taken actions with the aim of reducing the risk of contagion in the eurozone and beyond and improving economic and financial stability. However, these measures have not been normalised at this stage. A further economic downturn, in an environment where the ECB and the European Council have not standardised the measures implemented, limits the EU's ability to face it.

A further deterioration of the national economies could lead to an increase in the risk of non-payment of their corresponding sovereign debt. A significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone (and other) nations, which may be under financial stress. 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 adversely affected, with wider possible adverse consequences for global financial market conditions.

The Group's net exposure to sovereign debt at 31 December 2019 amounted to €136,377 million (9 per cent. of its total assets at that date) of which the main exposures in the Eurozone relate to Spain and Portugal with net exposure of €35,366 million (of which €19,961 million were financial assets at fair value through other comprehensive income) and €8,689 million, respectively, (see notes 51.d) and 54.b) 4.3 to the 2018 Financial Statements).

The risk of returning to a fragile and volatile environment and to political tensions exists if current ECB policies in place are quickly reversed, the reforms aimed at improving productivity and competition do not progress, the closing of the banking union and other measures of integration is not deepened or anti-European groups succeed. Furthermore, on 31 January 2020 the United Kingdom ceased to be a member of the EU, which could have a material adverse effect on the group. See "*Risk Factors – Macro-Economic and Political Risks – Political developments in the UK could have a material adverse effect on the Group.*" for additional information.

*South America*

The economies of some of the countries where the Group operates, particularly in South America, have experienced significant volatility in recent decades. 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. In addition, some of the countries where the Group operates are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate environment, could 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. In particular, the recent political and social instability in Chile and financial volatility in Argentina could have a negative impact on the economies of these counties, which in turn could have a material adverse effect on the Group. As of 31 December 2019, South

America contributed 17 per cent. of the Group assets and 48 per cent. of the total operating areas' underlying profit attributable to the parent.

***The decline in economic activity and international trade taking place due to the effect of coronavirus could have a material adverse effect on the Group.***

Since December 2019, a new coronavirus strain (the "**COVID-19**") has progressively spread from China to other countries, mainly in the Middle East, Europe (including Spain and the UK) and the United States, amongst others, generating sharp declines in securities markets, a slowdown in activity at the global level, and high uncertainty in relation to its possible medium- and long-term impact on local and global economic activity.

On 17 March 2020, the Group announced that, although it was too early to estimate the impact of the COVID-19, it did not expect a material impact on the activity in the first quarter of 2020 resulting from the coronavirus and that the impact would depend in any event on how the situation evolves. In the case of a "V-shaped" minor impact scenario, the Group had estimated a negative impact of around 5 per cent. on the 2020 results to date, without taking any mitigating measures into account. At the date of this Information Memorandum, the Group has not reported a new estimation of the impact due to the high uncertainty and changing nature of the situation.

On 23 March 2020, Banco Santander announced (i) that the board of directors will consolidate any dividend payments due in 2020 into a single payment to be made in May 2021; (ii) that it had created a fund for the entire Group, financed by a reduction in the remuneration of the board and senior management, and that other employees would also be able to contribute to make available medical and other equipment that would help to prevent the spread of the virus; and (iii) that the Group president, Ana Botín, and the chief executive officer, José Antonio Álvarez, have decided to reduce their remuneration to be received in 2020, both fixed and variable, by 50 per cent.. See "*Banco Santander, S.A. – Recent Developments – COVID-19*" for additional information.

On 27 March 2020, Fitch Ratings affirmed Banco Santander's long-term debt and deposit rating, changing the outlook from stable to negative, in view of the economic consequences of the coronavirus crisis on the rating over the medium term. See "*Risk Factors – Risks Relating to the Issuer and the Group Business – Liquidity and funding risks – A rating downgrade could increase the cost of funding or require the Group to provide additional guarantees in relation to some of its derivatives contracts and other contracts entered into, which could have a material adverse effect.*" for additional information.

The decline in economic activity and international trade due to the effects of the COVID-19 is having a material negative impact on the economies of the countries in which the Group operates. This deterioration in the economic situation, coupled with the potential negative impact of increased protectionism, international trade tensions or barriers to immigration, could have a material adverse effect on the Group's operating results, financial situation and business outlook.

***Political developments in the UK could have a material adverse effect on the Group.***

On 31 January 2020, the United Kingdom ceased to be a member of the EU. The United Kingdom and the EU agreed on the terms of departure that provide for a transitional period until 31 December 2020 (the "**Transition Period**").

During the Transition Period (i) the United Kingdom will be treated in the same way as an EU member state on trade relations, (ii) EU legislation will continue to apply in the United Kingdom, and (iii) negotiations on a trade agreement will be conducted, as well as negotiations on the extent of legislative and regulatory convergence and regulatory co-operation.

Also, during the Transition Period, the EU will assess the possibility of financial services having equivalent regulation with the United Kingdom. Such assessments, even if positive, do not ensure that equivalence between the two jurisdictions will be approved.

Although the exit agreement provides for the possibility of extending the Transition Period for one or two years later than 31 December 2020, those extensions are not automatic and the United Kingdom has included in its legislation that the Transitional Period will end on 31 December 2020 as a fixed date, showing a clear willingness not to request an extension of the Transition Period.

All of the above implies that the terms of the UK's relationship with the EU following the end of the Transition Period and the end date of the Transition Period itself remain uncertain. If the Transition Period ends without a comprehensive trade agreement, economic growth in the UK and Europe could be negatively affected. At the end of the Transition Period, even if a satisfactory trade agreement is reached and/or if equivalence is granted to certain areas of the United Kingdom's financial services, contingency measures may still be necessary in certain economic

or financial matters in order to avoid uncertainty and adverse economic effects. In addition, there will be some changes to the products and services that Santander UK may continue to offer in the European Economic Area ("**EEA**") and to residents of the EEA or EEA entities. When possible, Santander UK would seek to address these EEA customers from Banco Santander, S.A.. Consequently, there is uncertainty about the legal framework in which the Group's subsidiaries will operate in the United Kingdom at the end of the Transition Period which, at operating level, means that the Group's subsidiaries in the United Kingdom may no longer be able to rely on the European cross-border framework for financial services. This uncertainty and the measures taken as a result of it, as well as the new rules or regulations, may have a significant adverse impact on the Group's operations, profitability and business.

While it is difficult to predict the long-term and external effects of the exit, in the short and medium term the situation generates economic and political uncertainty which will likely materialise in (i) an increase in market volatility, which could have a negative impact on the cost of funding for the Group and its access to finance, especially in a context in which credit ratings are affected and could affect interest and exchange rates, the value of the Group's assets and the value of the Group's securities held for liquidity reasons; and (ii) a deterioration in the UK economy that could have a negative impact on the Group´s customers in that country.

All of this would have a material adverse effect on the Group's operations, financial situation and outlook.

The Group considered these circumstances in the review of goodwill at Santander UK, which was impaired by €1,491 million in 2019, reflecting the decrease in the unit's earnings generation capacity. It cannot be guaranteed that, in the future, additional goodwill impairments will not need to be recognised, which could negatively affect the Group's net income and assets. The UK's departure from the EU has also given rise to further calls for a second referendum on Scottish independence and raised questions over the future status of Northern Ireland. These developments, or the perception that they could occur, could have a material adverse effect on economic conditions and the stability of financial markets in the UK, and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets.

As of 31 December 2019, Santander UK contributed 22 per cent. of the Group assets and 11 per cent. of the total operating areas´ underlying profit attributable to the parent.

## Risks Relating to the Issuer and the Group Business

### *Risks deriving from the acquisition of Banco Popular Español, S.A.*

*Banco Santander's acquisition of the entire share capital of Banco Popular Español, S.A. could be the subject of appeals or claims of any kind, the result of which could be a material adverse change for the Group*

On 7 June 2017, Banco Santander acquired the entire share capital of Banco Popular Español, S.A. ("**Banco Popular**") in execution of the resolution of the Steering Committee of the Spanish banking resolution authority ("**FROB**") on that same date (the "**FROB resolution**"). A more detailed explanation of the acquisition of Banco Popular is provided in note 3 of the 2019 Financial Statements.

Pursuant to the FROB resolution, (a) all of the ordinary shares of Banco Popular outstanding prior to the date of that decision were immediately cancelled to create a non-distributable voluntary reserve; (b) a capital increase was effected with no preemptive subscription rights, to convert all of Banco Popular's Additional Tier 1 capital instruments into shares of Banco Popular; (c) the share capital was reduced to zero euros through the cancellation of the shares derived from the conversion described in point (b) above to create a non-distributable voluntary reserve (d) a capital increase with no preemptive subscription rights was effected to convert all of Banco Popular's Tier 2 regulatory capital instruments into Banco Popular shares; and (e) all Banco Popular shares deriving from the conversion described in point (d) above were acquired by Banco Santander for a total consideration of €1.

Since Banco Popular's declaration of resolution, the cancellation and conversion of its capital instruments, and the subsequent transfer to Banco Santander of the shares resulting from that conversion through the resolution tool of selling the entity's business, all under the rules of the single resolution framework indicated above, have no precedent in Spain or in any other Member States, appeals against the FROB's decision cannot be ruled out, nor can claims against Banco Popular, Banco Santander or other entities of the Group derived from or related to the acquisition of Banco Popular. Various investors, advisors or financial institutions have announced their intention to explore, and, in some cases, have already filed various claims relating to the acquisition of Banco Popular. As to those possible appeals or claims, it is not possible to anticipate the specific demands that might be made, or their financial impact (particularly as any such claims may not quantify their demands, may make new legal interpretations or may involve

a large number of parties). The success of those appeals or claims could affect the acquisition of Banco Popular, including the payment of indemnification or compensation or settlements, and in any of those events have a material adverse effect on the results and financial condition of the Group. The estimated cost of potential compensations to Banco Popular shareholders recorded in the 2017 financial statements amounted to €680 million, of which €535 million were applied to the fidelity action.

It is also possible that, as a result of the acquisition of Banco Popular, its directors, officers or employees and the entities controlled by Banco Popular may be the subject of claims, including, but not limited to, claims derived from investors' acquisition of Banco Popular shares or capital instruments prior to the FROB Resolution (including specifically, but also not limited to, shares acquired in the context of the capital increase with preemptive subscription rights effected in 2016), which could have a material adverse effect on the results and financial condition of the Group. In this regard, on 3 April 2017, Banco Popular submitted a material fact (*hecho relevante*) to the Comisión Nacional del Mercado de Valores (the "**CNMV**" or "**Spanish Securities Market Commission**") reporting some corrections that its internal audit unit had identified in relation to several figures in its financial statements for the year ended 31 December 2016. The board of directors of Banco Popular, being responsible for said financial statements, considered that, following a report of the audit committee, the circumstances did not represent, on an individual basis or taken as a whole, a significant impact that would justify the restatement of Banco Popular's financial statements for the year ended 31 December 2016. Notwithstanding the foregoing, Banco Popular is exposed to possible claims derived from the isolated items identified in the aforesaid material fact or others of an analogous nature, which, if they were to materialise and be upheld, could have a material adverse effect on the results and financial condition of the Group.

At 31 December 2017, Banco Popular had a 9 per cent. share of the Group's total assets. Banco Popular was absorbed by Banco Santander in September 2018.

*The integration of Banco Popular into the Group is complex and might fail to provide the expected results and synergies.*

On 28 September 2018, the Banco Popular absorption merger took place by Banco Santander (more information can be found on the acquisition process of Banco Popular and the merger process with Banco Santander in note 3 to the 2019 Financial Statements). The integration of Banco Popular and its group of companies into the Group is difficult and complex and the costs, profits and synergies derived from that integration may not be in line with expectations. For example, Banco Santander is facing difficulties and obstacles as a result of, among other things, the integration of the operating and administrative systems, and the control and risk management systems at the two banks, or the integration and harmonizing of different procedures and specific business operating systems and financial, information and accounting systems or any other systems of the two groups; and is facing losses of customers or assuming contract terminations with various counterparties and for various reasons, which might result in costs or losses of income that are unexpected or in amounts higher than anticipated.

Similarly, the integration process is also causing changes or redundancies, especially in the Group's business in Spain and Portugal, as well as additional or extraordinary costs or losses of income that make it necessary to make adjustments in the business or in the resources of the entities. All these circumstances could have a material adverse effect on the results and financial condition of the Group.

*A number of individual and class actions have been brought against Banco Popular in relation to floor clauses ("cláusulas suelo"). If the cost of these actions is higher than the provisions made, this could have material adverse impact on the Group's results and financial situation.*

Floor clauses ("*cláusulas suelo*") are clauses whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate. Banco Popular has included floor clauses in certain asset transactions with customers.

The details of disputes related to floor clauses can be found in note 25 to the 2019 Financial Statements.

The estimates for these provisions and the estimate for maximum risk associated with the aforementioned floors clauses were made by Banco Popular based on the hypotheses, assumptions and premises it considered to be reasonable. On the basis of these estimates, Banco Popular made extraordinary provisions to cover the effect of the potential repayment of the excess interest charged by applying the floor clauses.

The Group estimated that the maximum risk associated with the floor clauses applied in its contracts with consumers, using a scenario that it considers to be more severe and not probable, would amount to approximately €900 million, as initially measured and without considering the returns performed.

However, the Group's estimates which were used as a basis for calculating provisions may not be complete, may not have taken into account the entire group of customers or former customers that could raise claims for this concept, or may have omitted other circumstances that may be relevant for the purposes of determining the impact of the floor clauses of Banco Popular and its group or the chances of success of claims in relation to floor clauses. Consequently, the provisions made by Banco Popular or the estimates of the maximum risk may be exceeded. An increase in the current level of provisions to reflect the impact of the different actions relating to floor clauses or to face additional liabilities would entail higher costs for the entity. This could have a material adverse impact on the Group's results and financial situation.

***Legal, regulatory and compliance risks.***

*The Group is exposed to the risk of losses arising from legal and regulatory proceedings.*

The Group faces risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject it to monetary judgments, regulatory enforcement actions, fines and penalties. The current regulatory and tax enforcement 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 regulatory investigations and civil and tax claims, and party to certain legal proceedings incidental to the normal course of our business, including in connection with conflicts of interest, lending securities and derivatives activities, relationships with our employees, the acquisition of Banco Popular 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 investigation or discovery, the Group cannot state accurately 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 amount of the Group’s reserves in respect of these matters is substantially less than the total amount of the claims asserted against us 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. As of 31 December 2019, the Group had provisions for taxes, other legal contingencies and other provisions for €5,508 million. See more information in note 25.d) to the 2019 Financial Statements.

*The Group is subject to substantial regulation and regulatory and governmental oversight which could adversely affect its business, operations and financial condition.*

As a financial institution, the Group is subject to extensive regulation, which materially affects its businesses.

In Spain and the other jurisdictions where the Group operates, there is continuing political, competitive and regulatory scrutiny of the banking industry. Political involvement in the regulatory process, in the behaviour and governance of the banking sector and in the major financial institutions in which the local governments have a direct financial interest and in their product and services, and the prices and other terms they apply to them, is likely to continue. Therefore, the statutes, regulations and policies to which the Group is subject may be therefore 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 and implementing regulation 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 EU, the UK, Latin America and other jurisdictions, and further 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 regulations are implemented inconsistently in the various jurisdictions in which the Group operates, it may face higher compliance costs. Any legislative or regulatory actions and any required changes to its business operations resulting from such legislation and regulations, as well as any deficiencies in its compliance with such legislation and regulation, could result in significant loss of revenue, limit its ability to pursue business opportunities in which the Group might otherwise consider engaging and provide certain products and services, affect the value of assets that its hold, 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.

In particular, legislative or regulatory actions resulting in enhanced prudential standards, in particular with respect to capital and liquidity, could impose a significant regulatory burden on the Bank or on its bank subsidiaries and could

limit the bank subsidiaries' ability to distribute capital and liquidity to the Bank, thereby negatively impacting the Bank. Future liquidity standards could require the Bank to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the Bank's regulatory and supervisory authorities, periodically review the Bank's allowance for loan losses. Such regulators may recommend the Bank to increase its allowance for loan losses or to recognise further losses. Any such additional provisions for loan losses, as recommended by these regulatory agencies, whose views may differ from those of the Bank's management, could have an adverse effect on the Bank's earnings and financial condition. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

The wide range of regulations, actions and proposals which most significantly affect the Group, or which could most significantly affect the Group in the future, relate to capital requirements, funding and liquidity and development of a fiscal and banking union in the EU. Moreover, there is uncertainty regarding the future of financial reforms in the United States and the impact that potential financial reform changes to the U.S. banking system may have on ongoing international regulatory proposals. In general, regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase the Group's operating costs and negatively impact the Group's business model. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such us that are deemed to be a global systemically important institution ("**G-SII**").

*Increasingly stricter capital regulations and potential requirements could have an impact on the functioning of the Group and its businesses*

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.

In 2011, the framework known as Basel III, which is a full set of reform measures to strengthen the regulation, supervision and risk management of the banking sector, was introduced (see "*Regulation—Capital, liquidity and funding requirements*"). This aimed to boost the banking sector's ability to absorb impacts caused by financial and economic stress, improve risk management and corporate governance, and improve banking transparency and disclosures. Concerning capital, Basel III redefines available capital at financial institutions (including new deductions and raising the requirements for eligible equity instruments), tightens the minimum capital requirements, compels financial institutions to operate permanently with surplus capital (capital "buffers"), and includes new requirements for the risks considered.

The amendments to the solvency requirements of credit institutions and various transparency regulations, from the practical standpoint, grant priority to high-quality capital (Common Equity Tier 1 or "**CET1**"), introducing stricter eligibility criteria and more stringent ratios, in a bid to guarantee higher standards of capital adequacy in the financial sector.

The ECB is required under Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**") to carry out a supervisory review and evaluation process (the "**SREP**") at least on an annual basis. In connection with this, the Issuer announced on 11 December 2019 that it had received from the ECB its decision regarding prudential minimum capital requirements as of 1 January 2020, following the results of SREP. The ECB decision requires the Bank to maintain a CET1 capital ratio of at least 9.7 per cent. on a consolidated basis. The 9.7 per cent. CET1 capital requirement includes: the minimum Pillar 1 requirement (4.5 per cent.); the Pillar 2 requirement (1.5 per cent.); the capital conservation buffer (2.5 per cent.); the requirement deriving from its consideration as a G-SII (1.0 per cent.) and the counter-cyclical buffer (0.2 per cent.). The ECB decision also requires that the Bank maintains a CET1 capital ratio of at least 8.6 per cent. on an individual basis. Taking into account the Bank's consolidated and individual current capital levels, these capital requirements do not imply any limitations on distributions in the form of dividends, variable remuneration and payments to holders of the Issuer's AT1 instruments. As of 31 December 2019, the Bank's total capital ratio was 15.05 per cent. on a consolidated basis and the Bank's CET1 capital ratio was 11.65 per cent. on a consolidated basis (data calculated using the IFRS 9 transitional arrangements. Had the IFRS 9 transitional arrangement not been applied, the total impact on the fully loaded CET1 at year end would have been -24 bps.).

In addition, the Bank shall comply with the TLAC/MREL Requirements (as defined in section "*Regulation – EU Banking Reforms")*. The Bank announced on 28 November 2019 that it had received formal notification from the

Bank of Spain of its binding minimum TLAC/MREL Requirements, both total and subordinated, for the resolution group of Banco Santander at a sub-consolidated level, as determined by the SRB. The total TLAC/MREL Requirement has been set at 16.81 per cent. of the resolution group's total liabilities and own funds, which as a reference of the resolution group's risk weighted assets at 31 December 2017 would be 28.60 per cent. and is equivalent to an amount at 31 December 2017 of €108,631.8 million. The subordination requirement has been set at 11.48 per cent. of the resolution group's total liabilities and own funds, which as a reference of this resolution group's risk weighted assets at 31 December 2017 would be 19.53 per cent. and is equivalent to an amount at 31 December 2017 of €74,187.57 million. These requirements apply since 1 January 2020. According to the Bank's estimates, the resolution group complies with this total TLAC/MREL Requirements and the subordination requirement. Future requirements are subject to ongoing review by the resolution authority.

In this regard, there can be no assurance that the application of the existing regulatory requirements, standards or recommendations will not require the Bank to issue additional securities that qualify as own funds or eligible liabilities, to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the Group's business, results of operations and/or financial position.

Any failure by the Bank and/or the Group to maintain its Pillar 1 minimum regulatory capital ratios and any Pillar 2 additional capital requirements could result in administrative actions or sanctions (including restrictions on Discretionary Payments, as defined in section *"Regulation – EU Banking Reforms"*), which, in turn, may have a material adverse impact on the Group's results of operations.

Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future.

All the applicable regulations and the approval of any other regulatory requirements could have an adverse effect on the Group's activities and operations, and most particularly affect the ability of the Bank to distribute dividends. Therefore, these regulations could have a material adverse effect on the Group's business, results of operations and/or financial position.

See "*Regulation — Capital, liquidity and funding requirements*" for additional information.

*The Group is exposed to tax risks that could have a negative impact on it.*

The preparation of the Group's tax statements and the process of establishing tax provisions involve the use of estimates and interpretations of laws and tax regulations, which are complex and subject to review by the tax authorities. The size, regional diversity and complexity of some groups and their commercial and financial relations with third parties and with related parties, as is the case with the Santander Group, require the application and interpretation of a considerable number of tax laws and regulations and the criteria that the various legal bodies and administrations issue, as well as the use of more estimates, unspecified legal concepts and assessments for the purposes of complying with the tax obligations of the Bank and all its subsidiaries. Therefore, any errors or discrepancies in criteria with the tax authorities in any of the jurisdictions in which the Group operates may be the subject of lengthy administrative or judicial proceedings that may have a material effect on the Group's operating income for a certain period.

In addition, governments in various jurisdictions seek to locate new tax spaces and have recently focused on the financial sector. In particular, (i) the increase in the tax rates required by several political forces at national and global level; (ii) the changes in the calculation of the tax bases — such as the proposal to limit the dividend exemption provided for in the proposal for the Spanish State Budget Law 2019, which would have led to the approval of 5 per cent. of the taxes distributed to the Group's Spanish companies and not exempted from corporate income tax; or (iii) the creation of new taxes — such as the Tax on financial institutions ' tax of the 16 December 2012 Law (FTT) Of the European Commission — may have material adverse effects on the Group's business, financial situation and operational performance.

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

The Group is required to comply with applicable anti-money laundering ("**AML**"), anti-terrorism, anti-bribery and corruption, sanctions and other laws and regulations applicable to us, both domestic and international. These regulations are becoming more complex and compliance with them requires automated systems, sophisticated monitoring and skilled compliance personnel. These regulations also require banks to take enhanced due diligence measures on the understanding that, due to the nature of the activities they carry out (e.g. private banking, money

remittance and foreign currency transactions), they may present a higher risk of money laundering or terrorist financing.

The Group's ability to comply with the legal requirements depends on its ability to improve detection and reporting capabilities and reduce variation in control processes and oversight accountability. These require implementation and embedding within the Group's business effective controls and monitoring, which in turn requires on-going changes to systems and operational activities.

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 to the above, (i) financial crime is constantly evolving; (ii) emerging technologies, such as cryptocurrencies and blockchain, could limit the Group's ability to track the movement of funds; and (iii) the Group relies heavily on its employees and external suppliers to mitigate any threat.

If the Group is unable to fully comply with applicable laws and regulations and expectations or the competent authorities believe that the Group is not in compliance with the enhanced due diligence inherent in its activities, 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.

Any of the above actions, or the possibility or rumour that any of them may occur, even if not certain, could seriously harm the Santander brand and the Group´s reputation, which could have a material adverse effect on the Group's operating results, financial condition and prospects.

***Liquidity and funding 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 has in place liquidity management processes to seek to mitigate and control these risks as well as a model based on autonomous subsidiaries in terms of capital and liquidity which limits the possibility of contagion between its units, unforeseen systemic market factors make it difficult to eliminate completely these risks. Constraints in the supply of liquidity, including in inter-bank lending, could materially and adversely affect the cost of funding its business, and extreme liquidity constraints may affect the Group's current operations and its ability to fulfil regulatory liquidity requirements, as well as limit growth possibilities.

The Group's cost of obtaining funding is directly related to prevailing interest rates and to its credit spreads. Credit spreads are defined as the excess return offered by corporate bonds, in this case those of the Group, compared to Treasury bonds of the same maturity. Increases in interest rates and/or in the Group's credit spreads can significantly increase the cost of its funding. Credit spreads variations 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.

The Group relies, and will continue to rely, primarily on retail deposits to fund lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors beyond the Group's control, such as general economic conditions and the confidence of retail depositors in the economy and in the financial services industry, and the availability and extent of deposit guarantees, as well as competition for deposits between banks or with other products, such as mutual funds. Any of these factors could lead to significant withdrawals of retail deposits in a short period of time, thereby reducing the Group's ability to access retail 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.

Historically, the Group's main source of funding has been customer deposits (demand, forward and prior notice). Customer deposits represent 58 per cent., 58 per cent. and 58 per cent. of the Group's total liabilities at year-end 2019, 2018 and 2017, respectively. Term deposits, including repos, accounted for 28.6 per cent., 29.7 per cent. and 32.5 per cent. of total customer deposits at year-end 2019, 2018 and 2017, respectively.

Central banks have taken extraordinary measures to increase liquidity in the financial markets as a response to the financial crisis and the COVID-19 crisis. If current facilities were rapidly removed or significantly reduced, this could have an adverse effect on the Group's ability to access liquidity and on the Group's funding costs.

Santander cannot assure 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.

Moreover, if Santander is unable to maintain its funding levels or if there is a sudden or unexpected shortage of funds, or the market's perception that this may occur, it may generate episodes of high volatility or demand for the Bank's securities, making it difficult or impossible to issue them by the Bank or sell them by investors, thus affecting their valuation and price in both cases.

The liquidity coverage ratio ("**LCR**") measures the Group´s liquidity risk profile, ensuring that it has encumbered high-quality assets that can be easily and immediately liquid in the financial markets, without being susceptible to a significant loss of value.

The regulatory requirement for the LCR has been 100 per cent. since 2018. The Group has an internal LCR target of 110 per cent. at both consolidated and subsidiary levels. At year-end 2019, the Group's LCR ratio stood at 147 per cent., comfortably exceeding the regulatory requirement. Although the requirement is only established at Group level, this minimum is also exceeded in the case of certain other subsidiaries, in particular, Banco Santander at 143 per cent., the UK at 145 per cent., Brazil at 122 per cent. and the United States at 133 per cent.

As for the net stable funding ratio ("**NSFR**"), its final definition approved by the Basel Committee in October 2014 has not yet come into effect although it has been already introduced into CRR. The Group has defined a management limit of 100 per cent. for this metric at consolidated level and for almost all of its subsidiaries. In particular, at the end of 2019, the NSFR ratio for the Group was 112 per cent. while for the parent company it stood at 103 per cent., for the UK, 124 per cent., for Brazil, 112 per cent. and for the United States, 111 per cent.

For further information related to liquidity and funding risks, see note 54.c.3 to the financial statements for the year ended 31 December 2019.

*A rating downgrade could increase the cost of funding or require the Group to provide additional guarantees in relation to some of its derivatives contracts and other contracts entered into, which could have a material adverse effect.*

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 the Group's debt are based on a number of factors, including its financial strength and conditions affecting the financial services industry. 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.

There is no certainty that the rating agencies will maintain their current ratings or their outlook.

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 its derivative and other contracts, and could limit its access to capital markets and adversely affect the Group's commercial business. For example, a ratings downgrade could adversely affect the Group's ability to sell or market some 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 the Group's derivative contracts and other financial commitments, it may be required to maintain a minimum credit rating or terminate such contracts or require the posting of collateral. Any of these results of a ratings downgrade could reduce the Group's liquidity and have an adverse effect on the Group, including its operating results and financial condition.

The Santander Group has been assigned the following credit ratings by the following agencies:

| Rating agency | Long | Short | Last report date | Outlook |
|---|---|---|---|---|
| **Banco Santander** | | | | |
| Fitch Ratings [1] | A- | F2 | March 2020 | Negative |
| Moody's [2] | A2 | P-1 | October 2019 | Stable |
| Standard & Poor's [3] | A | A-1 | September 2019 | Stable |
| DBRS [4] | A (High) | R-1 (Medium) | January 2020 | Stable |
| Scope [5] | AA- | S-1+ | December 2019 | Stable |
| JCR Japan [6] | A+ | - | December 2019 | Stable |
| GBB Rating [7] | AA- | . | May 2018 | Stable |
| Axesor [8] | A+ | . | December 2019 | Stable |
| **Santander UK, plc** | | | | |
| Fitch Ratings [1] | A+ | F1 | November 2019 | Stable |
| Moody's [2] | Aa3 | P-1 | November 2019 | Negative |
| Standard & Poor's [3] | A | A-1 | June 2019 | Stable |
| **Banco Santander (Brasil), S.A.** | | | | |
| Moody's [2] | Ba3 | - | February 2020 | Stable |
| Standard & Poor's [3] | BB- | B | December 2019 | Positive |

(1) Fitch Ratings España, S.A.U. (Fitch Ratings).
(2) Moody's Investors Service Spain, S.A. (Moody's).
(3) S&P Global Ratings Europe Limited (Standard & Poor's).
(4) DBRS Ratings Limited (DBRS).
(5) Scope Ratings GmbH (Scope Ratings)
(6) Japan Credit Rating Agency, Ltd (JCR Japan).
(7) GBB-Rating Gesselschaft für Bonitätsbeurteilung mbH (GBB Rating).
(8) Axesor Risk Management S.L.U (Axesor).

The aforementioned rating agencies have been registered with the European Securities and Markets Authority ("**ESMA**") in accordance with the provisions of Regulation (EC) No. 1060/2009 of the European Parliament and of the European Council of 16 September 2009 on credit rating agencies.

The Group conducts substantially all of its material derivative activities through Banco Santander and Santander UK. Santander estimates that as of 31 December 2019, if all the rating agencies were to downgrade Banco Santander's long-term senior debt ratings by one notch the Group would be required to post up to €90 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two-notch downgrade would result in a further requirement to post up to €249 million in additional collateral. Santander estimates that as of 31 December 2019, 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 GBP 1.5 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 a further outflow of GBP 1.6 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 the Group's long-term credit rating precipitates downgrades to the Group's short-term credit rating, and assumptions about the potential behaviours of various customers, investors and counterparties. Actual outflows could be higher or lower than the preceding hypothetical examples, 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, a credit rating downgrade could still have a material adverse effect on the Group.

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

***Credit risk.***

*Impairment of credit quality or insufficient provision for non-performing loans could have a material adverse effect on the Group.*

Non-performing or low credit quality loans have in the past negatively impacted the Group's results of operations and could do so in the future. In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of factors outside of its control, such as adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in economic conditions in the regions where the Group operates or in global economic and political conditions.

In line with these risks, the Bank makes accounting provisions annually. The Group's loan loss reserves are based on estimates that include factors outside the Group's control, and, therefore, it cannot assure that the Group's current or future 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, or if the future actual losses exceed the Group's estimates of expected losses, the Group may be required to increase its loan loss reserves, which may adversely affect the Group.

At 31 December 2019, the Group's credit risk (which includes gross loans and advances to customers, guarantees and documentary credits) amounted to €1,016,507 million (€958,153 million at 31 December 2018). The Group's NPL ratio stood at 3.32 per cent. (3.73 per cent. at 31 December 2018) and coverage stood at 68 per cent. (67 per cent. the previous year).

At 31 December 2019, the geographic spread of the Group's total customer loans and advances (€942,218 million) portfolio was as follows: Europe accounted for approximately 72 per cent. (Spain represented 20 per cent., while the UK, where the loan portfolio was made up mainly of mortgage loans, accounted for 29 per cent.), North America for 14 per cent. (the United States accounted for 10 per cent. and Mexico for 4 per cent.) and South America for 13 per cent. (Brazil for 8 per cent.).

As a result, if the economies of Europe (particularly Spain and the UK) or of some of the US countries in which the Group operates fall into recession, this could have a material adverse effect on the Group's loan portfolio and, consequently, its financial position, cash flow and operating profit.

High unemployment and falling property prices could have a material adverse effect on the Group's mortgage loan portfolio, which could have a material adverse impact on the Group's businesses, financial situation and operating income. At 31 December 2019, the Group's mortgage portfolio represented 45 per cent. of the Group's loan portfolio, concentrated in Spain and the United Kingdom, with NPLs at that date of 4.26 per cent. and 1.04 per cent., respectively.

At 31 December 2019, the gross amount of Group refinancing and restructuring operations was €32,475 million (3.4 per cent. of total gross loans and credits), of which €12,714 million have real estate collateral. At the same date, the net amount of non-current assets held for sale totaled €4,601 million, of which €4,485 million were foreclosed assets, with a coverage ratio of 48 per cent. on the gross amount of these assets.

For further information related to credit risk see note 54.b) to the financial statements for 2019.

*The value of the collateral securing the Group's loans may fluctuate or decrease due to factors beyond its control, 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 its control, including macroeconomic factors or 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.

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.

As of 31 December 2019, 45 per cent. of the Group´s loans and advances to customers are secured by real estate, while 21 per cent. have other types of collateral (securities, pledges and others), and are therefore likely to be affected by an individual or widespread decrease in the value of these guarantees.

***Market risk.***

*The Group is subject to fluctuations in interest rates and other market risks, which could have a material adverse effect.*

Market risk refers to the probability of variations in the Group's interest income/ (charges) or in the market value of its assets and liabilities due to volatility of interest rate, inflation, exchange rate or equity price. Changes in interest rates affect the Group's interest income/ (charges), the volume of loans originated, credit spreads, the market value of our securities holdings, the value of the Group's loans and deposits and the value of its derivatives transactions.

Market risk includes unpredictable risks related to periods in which the market does not efficiently manage its prices, for example in market disruptions or shocks.

Interest rates are sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies and domestic and international economic and political conditions. Variations in interest rates could affect the interest earned on its assets and the interest paid on its borrowings, thereby affecting the Group's interest income/ (charges), which comprises the majority of its revenue (net interest income accounted for 72 per cent. of gross income at 31 December 2019), reducing the Group's growth rate and potentially resulting in losses. In addition, costs the Group incurs as it implements strategies to reduce interest rate exposure could increase in the future (which, in turn, will impact its results).

Increases in interest rates may reduce the volume of loans the Group originates. 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 reduce the value of the Group's financial assets and may reduce gains or require the Group to record losses on sales of its loans or securities.

Due to the historically low interest rate environment in the eurozone, in the UK and in the US in recent years, the rates on many of the Group's interest-bearing deposit products have been priced at or near zero or negative, limiting its ability to further reduce rates and thus negatively impacting the Group's margins. If the current low interest rate environment in the eurozone, in the UK and in the US persists in the long run, it may be difficult to increase the Group's interest income/ (charges), which will impact its results.

At the end of December 2019, one-year risk on net interest income, measured as sensitivity to parallel changes in the worst-case scenario of ± 100 basis points, was concentrated in the euro's curve with €479 million, GBP 69 million, the Polish zloty with €60 million, and USD 13 million. With regard to South America, the risk is concentrated mainly in Brazil (€74 million).

Further information on structural balance sheet risks and sensitivity analysis can be obtained from note 54.c.2 to the 2019 Financial Statements while details of exposure to foreign currency risk can be obtained from note 2.a) v. to the aforementioned financial statements.

If any of these risks were to materialise, NII or the market value of the Group's assets and liabilities could suffer a material adverse impact.

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

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 differ by country. In addition, the execution and performance of these transactions depend on the Group's ability to maintain adequate control and administration systems. Moreover, the Group's ability to adequately monitor, analyse and report derivative transactions continues to depend, largely, on its information technology systems. These factors further increase the risks associated with these transactions and could have a material adverse effect on the Group.

At 31 December 2019, the notional value of the trading derivatives contracted by the Group amounted to €6,169,917 million (with a fair value of €63,397 million outstanding balance and €63,016 million payable balance). For further details of the type of inherent risk, see note 9 and note 11 to the 2019 Financial Statements.

At that date, the nominal value of the hedging derivatives contracted by the Group as part of its financial risk management strategy and with the aim of reducing asymmetries in the accounting treatment of its transactions amounted to €362,464 million (with a fair value of €7,216 million in assets and €6,048 million in liabilities). For further information on categories of hedging derivatives, maturities, more significant geographies or details by hedged items, see note 36 to the financial statements for the year ended 31 December 2019.

For further information related to market risk that the Group hedges through derivatives, see note 54.c to the 2019 Financial Statements.

***Other business risks***

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

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, and others. The accounting and disclosures are based on IFRS-IASB 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 the Group accrues.

Any increase in the current size of the funding deficit in the Group's defined benefit pension plans 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 our business. Any such increase may be due to certain factors over which the Group has no or limited control. Increases in the Group's pension liabilities and obligations could have a material adverse effect on its business, financial condition and results of operations.

At 31 December 2019, our provision for pensions and other obligations amounted to €7,740 million, of which €5,272 million related to Spain, €329 million related to the United Kingdom and €2,129 million to other entities.

For further details of the Group's pension obligations and commitments, see note 25.c) to the financial statements for the year ended 31 December 2019.

*The Group relies partly on dividends and other funds from its 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 its 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 their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from the Group's Argentine subsidiaries have been subject to certain restrictions and there is no assurance that further restrictions will not be imposed. 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 reorganisation will be effectively subordinated to the claims of the Group's subsidiaries' creditors, including trade creditors. The Group also has to comply with increased capital requirements, which could result in the imposition of restrictions or prohibitions on discretionary payments including the payment of dividends and other distributions to the Group by its subsidiaries. The ECB issued a press release on 27 March 2020 recommending that banks do not pay dividends or buy back shares during the COVID-19 pandemic until at least 1 October 2020. To the extent that implementation of this recommendation (or other similar measures that may be adopted by supervisors of other geographical areas) is applied by some of the Group's subsidiaries, this could have a material adverse effect on their businesses, financial situation and operating income. In particular, on 31 March 2020, the Prudential Regulation Authority sent a letter to Santander UK requesting the bank to suspend dividend payments until the end of 2020. Dividend income from Santander UK Group Holdings Ltd in 2019 amounted to €300 million. See "*Banco Santander, S.A. – Recent Developments – COVID-19*" for additional information.

At 31 December 2019, dividend income for Banco Santander, S.A. represents 52 per cent. of its total income.

*Increased competition, including from non-traditional providers of banking services such as financial technology providers, 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. These non-traditional providers of banking services currently have an advantage over traditional providers because they are not subject to banking regulation. 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 behaviour, including among younger customers, could delay or prevent its access to new digital-based markets, which would in turn have an adverse effect on its competitive position and business. According to data from the Financial Stability Board (the "**FSB**") in its Global Monitoring Report on Non-Bank Financial Intermediation 2019, at the global level banks have a share of close to 40 per cent. of total financial assets and non-traditional providers of 30 per cent. at the end of 2018.

Furthermore, the widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt the Group's existing products and services as the Group continues to grow its Internet and mobile banking capabilities. The Group customers may choose to conduct business or offer products in areas that may be considered speculative or risky. Such new technologies and mobile banking platforms in recent years could negatively impact the Group's investments in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards Internet and mobile banking may necessitate changes to the Group's retail distribution strategy, which may include closing and/or selling certain branches and restructuring its remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of the Group's remaining branches or to otherwise reform its retail distribution channel. Furthermore, the Group's failure to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect the Group's competitive position.

In particular, the Group has the challenge of competing in an environment in which customer relations are based on access to digital data and interactions. This access is increasingly dominated by digital platforms, which are already eroding the Group´s results in very significant markets such as payments. These platforms can use their advantage to access data to compete with the Group in other markets and may reduce the Group's operations and margins in its

core businesses, such as loans or wealth management. The alliances that our competitors are beginning to engage with *Bigtechs* may make it more difficult to compete successfully with them and could have an adverse effect on the Group.

Increasing competition could also require that the Group increases its rates offered on deposits or lower the rates the Group 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 its 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 the Group's activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on its operating results, financial condition and prospects.

*The Group may have to recognise goodwill impairments recognised for its 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, or 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 our regulatory capital. While no material impairment of goodwill was recognized at Group level in 2018, in 2019 the Group recognized impairment of goodwill of €1,491 million in Santander UK. (See note 17 to the consolidated financial statements for the year ended 31 December 2019). There can be no assurances that the Group's will not have to write down the value attributed to goodwill in the future, which would adversely affect our results and net assets.

At 31 December 2019, the goodwill recognised by the Group amounted to €24,246 million, of which €7,147 million and €4,388 million were originated by Santander UK and Banco Santander (Brazil), respectively. For further details, see note 17 to the 2019 Financial Statements.

*The Group may not effectively manage the risks arising from replacing benchmark market indices.*

Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be "benchmarks" are the subject of increased regulatory scrutiny.

These index reforms that seek to replace an existing index with another risk-free alternative (particularly the reform of the London Interbank Offered Rate ("**LIBOR**") in the United States and the United Kingdom) may cause the benchmark indices to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated which introduces a number of risks for the Group. These risks include:

(i) legal risks arising from potential changes required to documentation for new and existing transactions;

(ii) financial and accounting risks arising from changes in the valuation, hedging, cancellation and recognition of financial instruments associated with benchmarks;

(iii) business risk that the revenues from LIBOR-linked products decline;

(iv) pricing risks arising from how changes to benchmark indices could impact pricing mechanisms on some instruments;

(v) operational risks arising from the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes;

(vi) conduct risks arising from the potential impact of communication with customers and engagement during the transition period; and

(vii) litigation risk in relation to the products and services offered by the Group, which could have an adverse effect on its profitability.

The replacement benchmarks and their transition path have been defined, but the mechanisms for implementation are under development. Accordingly, it is not currently possible to determine whether, or to what extent, any such

changes would affect the Group, but could, amongst other things, increase operating costs and affect the validity of existing contracts and the valuation of the Group´s assets, which in turn could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Financial reporting and control risks. Changes in accounting standards could influence reported profits or have an impact on capital.*

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, as well as affect the calculation of its capital ratios. 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.

See details of the adoption of new standards and interpretations issued in note 1. b) to the 2019 financial statements.

***Foreign Private Issuer and Other Risks***

*The Group's corporate disclosure may differ from disclosure regularly published by issuers of securities in other countries, including the United States*

Issuers of securities in Spain are required to make public disclosures that are different from, and that may be reported under presentations that are not consistent with, disclosures required in other countries, including the United States. In particular, for regulatory purposes, the Group currently prepares and will continue to prepare and make available to its shareholders statutory financial statements in accordance with IFRS-IASB, which differs from U.S. Generally Accepted Accounting Principles in a number of respects. In addition, as a foreign private issuer, the Group is not subject to the same disclosure requirements in the United States as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules under Section 16 of the Exchange Act. Accordingly, the information about the Group available to a prospective investor will not be the same as the information available to shareholders of a U.S. company and may be reported in a manner that it is not familiar with.

*Investors may find it difficult to enforce civil liabilities against the Group or its directors and officers*

The majority of the Group's directors and officers reside outside of the United States. In addition, all or a substantial portion of the Group's assets and the assets of its directors and officers are located outside of the United States. Although the Group has appointed an agent for service of process in any action against the Group in the United States with respect to the Group's ADSs, none of its directors or officers has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult for investors to effect service of process within the United States on such persons.

Additionally, investors may experience difficulty in Spain enforcing foreign judgments obtained against the Group and its executive officers and directors, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of Spanish counsel, there is doubt as to the enforceability against such persons in Spain, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

**Risks in relation to the Notes**

*There is no active trading market for the Notes*

The Notes may have no established trading market when issued, and one may never develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes at a particular time or may not be able to sell their Notes at a favourable price. Although applications have been made for Notes issued under the Programme to be admitted to the Official List and to trading on the regulated market of Euronext Dublin, there is no assurance that such applications will be accepted, that any particular issue of Notes 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 issue of Notes.

*Global Notes held in a clearing system*

*Because the Global Notes are held by or on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and possibly other clearing systems, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.*

Notes issued under the Programme may be represented by one or more Global Notes. If the relevant Final Terms specify that the New Global Note form is not applicable, such Global Note will be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg or shall be deposited with such other clearing system, or to the order of such other Clearing System's nominee. If the relevant Final Terms specify that the New Global Note form is applicable, such Global Note will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and/or Clearstream, Luxembourg and/or any other clearing system will maintain records of the holdings of their participants. In turn, such participants and their clients will maintain records of the ultimate holders of beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg and/or any other clearing system on whose behalf such Global Notes are held.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under such Notes by making payments to the common depositary (in the case of Global Notes which are not in the New Global Note form) or, as the case may be, the common service provider (in the case of Global Notes in New Global Note form) for Euroclear and/or Clearstream, Luxembourg and/or any other clearing system for distribution to their account holders for onward transmission to the Beneficial Owners. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg and/or any other clearing system and their relevant participants, to receive payments under their relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to take enforcement action against the Issuer under the relevant Notes but will have to rely upon their rights under the Deed of Covenant dated 20 April 2018 (the "**Deed of Covenant**").

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

Potential conflicts of interest may arise between the Calculation Agent, if any, for a Tranche of Notes and the Holders (including where a Dealer acts as a calculation agent), including with respect to certain discretionary determinations and judgments that such Calculation Agent may make pursuant to the terms and conditions of the Notes that may influence the amount receivable upon redemption of the Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes, the Programme or the Issuer. The credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the Regulation (EC) No. 1060/2009 (as amended) ("**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or in the UK 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/non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU/non-UK 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.

*The Issuer may redeem the Notes for tax reasons*

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

The Issuer may be expected to redeem Notes if it has or will become obliged to pay additional amounts pursuant to the terms and conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) which change or amendment becomes effective on or after the issue date of the relevant Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Potential investors should consider the reinvestment risks in light of other investments available at the time any Notes are so redeemed.

*Risks in Relation to Spanish Taxation*

The Issuer is required to receive certain information relating to the Notes. If such information is not received by the Issuer it will be required to apply Spanish withholding tax to any payment of interest in respect of the relevant Notes, or income arising from the payment of Notes issued below par.

Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, payments of income in respect of the Notes will be made without withholding tax in Spain provided that the Issue and Paying Agent provides to the Issuer at the relevant time a certificate in the Spanish language substantially in the form set out in Exhibit I, attached hereto.

This information must be provided by the Issue and Paying Agent to the Issuer before the close of business on the Business Day (as defined in the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each a "**Payment Date**") is due.

The Issuer and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, the Issuer will instruct the Issue and Paying Agent to withhold tax at the then-applicable rate (as at the date of this Information Memorandum 19 per cent.) from any payment in respect of the relevant Notes. The Issuer will not pay any additional amounts with respect to any such withholding.

The Agency Agreement provides that the Issue and Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. See section titled "*Taxation – Taxation in Spain—Information about the Notes in Connection with Payments*".

The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof. None of the Issuer or the Dealers assumes any responsibility therefor.

Royal Decree 1065/2007 of 27 July, as amended, provides that any payment of interest made under securities originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country will be made with no withholding or deduction from Spanish taxes provided that the relevant information about the Notes is received by the Issuer. In the opinion of the Issuer, payments in respect of the Notes will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Notes is submitted by the Issue and Paying Agent to them, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

Notwithstanding the above, in the case of Notes held by Spanish resident individuals (and, under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the current rate of 19 per cent..

If the Spanish tax authorities maintain a different opinion as to the application by the Issuer of withholding to payments made to Spanish residents (individuals and entities subject to Corporate Income Tax), the Issuer will be bound by that opinion and, with immediate effect, will make the appropriate withholding and the Issuer will not, as a result, pay additional amounts.

*The value of and return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks*

Reference rates and indices such as Euro Interbank Offered Rate ("**EURIBOR**") or LIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**"), to which the interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. This has resulted in regulatory reform and changes to existing Benchmarks, with further change anticipated. Such reform of Benchmarks includes the BMR which was published in the official journal on 29 June 2016. On 27 July 2017, the United Kingdom's Financial Conduct Authority ("**FCA**") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. In a further speech on 12 July 2018, the FCA emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021, which indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The Bank of England and FCA are working on a transition to use the Sterling Overnight Index Average ("**SONIA**"). In addition, the European Money Markets Institute (EMMI) announced the discontinuation of the Euro Overnight Index Average ("**EONIA**") after 3 January 2022 and that from 2 October 2019 until its total discontinuation it will be replaced by the new Euro short-term rate (€STR) plus a spread of 8.5 basis points.

The BMR applies to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the EU. It, among other things, (i) requires Benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities such as the Issuer of Benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain Benchmarks including EURIBOR and LIBOR: (i) discourage market participants from continuing to administer or contribute to the Benchmark; (ii) trigger changes in the rules or methodologies used in the Benchmark or (iii) lead to the disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing to a Benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the BMR reforms in making any investment decision with respect to any Notes linked to or referencing a Benchmark.

*There are restrictions on the ability to resell Notes*

The Notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. Absent such registration, the Notes may be offered or sold only in transactions that are not subject to, or that are exempt from, the registration requirement of the Securities Act and applicable state securities laws.

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

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

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

*In any winding up of the Issuer, Noteholders may not be entitled to receive the currency of issue of the Notes*

Should Noteholders be entitled to any amount with respect to the Notes in any winding-up of the Issuer, Noteholders might not be entitled in those proceedings to a recovery in the currency of issue of the Notes and might be entitled only to a recovery in euro or any other lawful currency of Spain or such other jurisdiction in which the Issuer may then be incorporated.

*The taking of actions under Law 11/2015, which partially implements BRRD, and/or the SRM Regulation could materially affect the value of any Notes*

The BRRD (which has been implemented in Spain through Law 11/2015, of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms ("**Law 11/2015**") and Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 ("**Royal Decree 1012/2015**") is designed to provide authorities with tools to intervene 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 further provides that any extraordinary public financial support through additional financial stabilisation tools is only to be used by a Member State as a last resort, after having assessed the resolution tools set out below to the maximum extent possible while maintaining financial stability.

As provided in the BRRD, Law 11/2015 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. The four resolution tools are: (i) sale of business - which enables resolution authorities to direct the sale of the institution 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 institution 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 (including to zero) certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt to equity (the "**general bail-in tool**"), which equity could also be subject to any application of the relevant resolution tools. In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is failing or likely to fail may depend on a number of factors which may be outside of that institution's control.

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the general bail-in tool, the sequence of any resulting write-down or conversion by the Relevant Resolution Authority shall be as follows: (i) CET1 instruments; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital instruments; and (v) the principal or outstanding amount of the eligible liabilities (*pasivos admisibles*) prescribed in Article 41 of Law 11/2015 (which would include the Notes). Any application of the bail-in tool shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided in applicable banking regulations).

The powers set out in the BRRD, as implemented in Spain through Law 11/2015 and Royal Decree 1012/2015 and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool. The exercise of powers 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 Notes and/or the ability of the Issuer to satisfy their obligations under any Notes.

There may be limited protections, if any, that will be available to holders of securities subject to the general bail-in power (including the Notes) and to the broader resolution powers of the Relevant Resolution Authority. Accordingly,

Noteholders may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its bail-in power.

There remains uncertainty as to how or when the general bail-in power may be exercised and how it would affect the Group and the Notes. The determination that all or part of the principal amount of the Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Bank's control.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- an English language translation of Banco Santander's audited consolidated and non-consolidated financial statements, together with the notes thereto and auditors' report thereon prepared in accordance with IFRS-EU, included in the section entitled "Auditor's report and Consolidated Financial Statements" of Banco Santander's Annual Reports for the years ended 31 December 2018 (the "**2018 Financial Statements**") and 31 December 2019 (the "**2019 Financial Statements**"); and

  https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2018/IA-2018-Annual%20report-20-en.pdf

  https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2019/ia-2019 annual-report-en.pdf

- Banco Santander's annual report on Form 20-F for the year ended 31 December 2019 filed with the SEC on 6 March 2020;

- The annual report of the Issuer prepared for the year ended 31 December 2019 (the "**2019 Annual Report**")

  https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2019/ia-2019-annual-report-en.pdf

In relation to the 2019 Financial Statements, the 2018 Financial Statements and the 2019 Annual Report, 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 Banco Santander considers that it is not relevant for the investor.

### *Issuer Annual Financial Information and Annual Report*

The tables below set out the relevant page references in the 2019 Annual Report and the 2018 Financial Statements where the following information incorporated by reference in this Information Memorandum can be found:

| | **Information incorporated by reference in this Information Memorandum** | **2019 Annual Report page reference[(1)]** |
|---|---|---|
| 1. | Independent Auditor's report on consolidated annual accounts for the year ended 31 December 2019 | 469-478 |
| 2. | Audited consolidated balance sheets at 31 December 2019 and the comparative consolidated financial information of the Issuer at 31 December 2018 and 31 December 2017 | 480-483 |
| 3. | Audited consolidated income statements for the year ended 31 December 2019 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2018 and 31 December 2017 | 484-485 |
| 4. | Audited consolidated statements of recognised income and expense for the year ended 31 December 2019 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2018 and 31 December 2017 | 486 |
| 5. | Audited consolidated statements of changes in total equity for the year ended 31 December 2019 and the comparative for the years ended 31 December 2018 and 31 December 2017 | 487-492 |
| 6. | Audited consolidated statements of cash flow for the year ended 31 December 2019 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2018 and 31 December 2017 | 493-494 |
| 7. | Notes to the consolidated annual accounts for the year ended 31 December 2019 | 497-733 |
| 8. | 2. Ownership structure | CG 154-158[(2)] |

| Information incorporated by reference in this Information Memorandum | | 2019 Annual Report page reference[1] |
|---|---|---|
| 9. | 4. Board of directors | CG 168-211[2] |
| 10. | 7. Group structure and internal governance | CG 236-238[2] |
| 11. | 4. Financial information by segments | EFR 328-371[3] |
| 12. | 8. Alternative Performance Measures (APMs) | EFR 381-386[3] |
| 13. | Glossary | GL 460-465[4] |
| 14. | General Information | GI 786-787 [5] |

*Notes*:

(1) Not all the pages of the 2019 Annual Report are paginated continuously. See Notes below for detailed indications on where the relevant sections incorporated by reference in this Information Memorandum are located.

(2) "CG" corresponds to the section entitled "Corporate Governance" of the 2019 Annual Report located immediately after the section entitled "Responsible banking" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(3) "EFR" corresponds to the sub-section entitled "Economic Financial Review" of the 2019 Annual Report located immediately after the section entitled "Corporate governance" (see note (2) above) and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(4) "GL" corresponds to the sub-section entitled "Glossary" of the 2019 Annual Report located immediately after the section entitled "Strategic risk" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(5) "GI" corresponds to the section entitled "General Information" of the 2019 Annual Report located immediately after the Glossary and the page reference is to the page number appearing in the bottom left of such section.

| Information incorporated by reference in this Information Memorandum | | 2018 Financial Statements page reference |
|---|---|---|
| 1. | Independent Auditor's report on consolidated annual accounts for the year ended 31 December 2018 | 423-434 |
| 2. | Audited consolidated balance sheets at 31 December 2018 and the comparative consolidated financial information of the Issuer at 31 December 2017 and 31 December 2016 | 436-439 |
| 3. | Audited consolidated income statements for the year ended 31 December 2018 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2017 and 31 December 2016 | 440-441 |
| 4. | Audited consolidated statements of recognised income and expense for the year ended 31 December 2018 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2017 and 31 December 2016 | 442 |
| 5. | Audited consolidated statements of changes in total equity for the year ended 31 December 2018 and the comparative for the years ended 31 December 2017 and 31 December 2016 | 444-449 |
| 6. | Audited consolidated statements of cash flow for the year ended 31 December 2018 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2017 and 31 December 2016 | 450 |
| 7. | Notes to the consolidated annual accounts for the year ended 31 December 2018 | 451-658 |

The information on the corporate website of the Issuer does not form part of this Information Memorandum unless that information is incorporated by reference into this Information Memorandum.

Copies of the documents specified above as containing information incorporated by reference in this Information Memorandum may be inspected, free of charge, at the specified offices of the Issuing and Paying Agent, the initial specified offices of which are set out below. Copies of such documents are also available for inspection at Euronext Dublin.

Any information contained in any of the documents specified above which is not incorporated by reference in this Information Memorandum is either not relevant to investors or is covered elsewhere in this Information Memorandum.

## KEY FEATURES OF THE PROGRAMME

| | |
|---|---|
| **Issuer:** | Banco Santander, S.A. |
| **Risk Factors:** | Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil their respective obligations under the Notes are discussed under "*Risk Factors*", above. |
| **Arranger:** | Barclays Bank PLC |
| **Dealers:** | Banco Santander, S.A., Barclays Bank PLC, Barclays Bank Ireland PLC, Citigroup Global Markets Limited, Citigroup Global Markets Europe AG, Coöperatieve Rabobank U.A., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Credit Suisse Securities Sociedad de Valores S.A., Goldman Sachs International, ING Bank N.V., J.P. Morgan Securities plc, J.P. Morgan AG, Société Générale, UBS Europe SE and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular issue of Notes. |
| **Issuing and Paying Agent:** | Citibank N.A., London Branch |
| **Listing Agent:** | A&L Listing Limited |
| **Programme Amount:** | The aggregate principal amount of Notes outstanding and guaranteed at any time will not exceed €15,000,000,000 or its equivalent in alternative currencies subject to applicable legal and regulatory requirements. The Programme Amount may be increased from time to time in accordance with the Dealer Agreement. |
| **Currencies:** | Notes may be issued in Australian Dollars, Canadian Dollars, Euro, Japanese Yen, New Zealand Dollars, Sterling, Swiss Francs and United States Dollars and such other currencies as may be agreed between the Issuer and the relevant Dealer(s) from time to time and subject to the necessary regulatory requirements having been satisfied. |
| **Denominations:** | Global Notes shall be issued (and interests therein exchanged for Definitive Notes, if applicable) in the following minimum denominations (or integral multiples thereof):<br>(a) for U.S.$ Notes, U.S.$500,000;<br>(b) for euro Notes, €500,000;<br>(c) for Sterling Notes, £100,000;<br>(d) for Yen Notes, Yen 100,000,000;<br>(e) for Swiss franc Notes, CHF 500,000;<br>(f) for Australian dollar Notes, A$1,000,000;<br>(g) for Canadian dollar Notes, C$500,000; or<br>(h) for New Zealand dollar Notes, NZ$1,000,000, |

| | |
|---|---|
| | or such other conventionally accepted denominations in those currencies (including, in addition to those listed above, Danish kroner, Swedish kroner and Norwegian kroner) as may be agreed between the Issuer and the relevant Dealer from time to time, subject in each case to compliance with all applicable legal and regulatory requirements and **provided that** the equivalent of that denomination in Sterling as at the Issue Date is not less than £100,000. |
| **Maturity of the Notes:** | Not less than 1 nor more than 364 days, subject to legal and regulatory requirements. |
| **Tax Redemption:** | Early redemption will only be permitted for tax reasons as described in the terms of the Notes. |
| **Redemption on Maturity:** | The Notes will be redeemed at par. |
| **Issue Price:** | The Issue Price of each issue of interest bearing Notes (and, in the case of discount Notes, the discount rate) will be as set out in the relevant Final Terms. |
| **Status of the Notes:** | The payment obligations of the Issuer pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations (*créditos ordinados*) of the Issuer, and, in accordance with Additional Provision 14.2º of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer (and unless they qualify as subordinated debts (*créditos subordinados*) under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future), such payment obligations in respect of principal rank (a) *pari passu* and rateably without any preference among themselves and with any Senior Higher Priority Liabilities and (b) senior to (i) Senior Non Preferred Liabilities and (ii) any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with article 92 of the Insolvency Law.<br><br>"**Law 11/2015**" means Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment firms, as amended from time to time.<br><br>"**Senior Higher Priority Liabilities**" means any obligations in respect of principal of the Issuer under any Notes and any other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, other than the Senior Non Preferred Liabilities; and<br><br>"**Senior Non Preferred Liabilities**" means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2º of Law 11/2015, and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank pari passu with the Senior Non Preferred Liabilities. |
| **Taxation:** | All payments under the Notes will be made without deduction or withholding for or on account of any present or future Spanish withholding taxes, except as stated in the Notes and as stated under the heading "Taxation - Taxation in Spain". |

| | |
|---|---|
| **Information requirements under Spanish Tax Law:** | Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, the Issuer is required to receive certain information relating to the Notes.<br><br>If the Issue and Paying Agent fails to provide the Issuer with the required information described under "*Taxation in Spain*— Information about the Notes in Connection with Payments", the Issuer will be required to instruct the Issue and Paying Agent to withhold tax and may pay income in respect of the relevant Notes net of the Spanish withholding tax applicable to such payments (as at the date of the Information Memorandum, 19 per cent.).<br><br>None of the Issuer, the Arranger, the Dealers or the European clearing systems assumes any responsibility therefor. |
| **Form of the Notes:** | The Notes will be in bearer form. Each issue of Notes will initially be represented by one or more global notes (each a "**Global Note**", and together the "**Global Notes**"). Each Global Note 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, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Global Notes will be exchangeable for Definitive Notes in whole, but not in part, in the limited circumstances set out in the Global Notes (see "*Certain Information in Respect of the Notes - Forms of Notes*"). |
| **Listing and Trading:** | Each issue of Notes may be admitted to the Official List and admitted to trading on the regulated market of Euronext Dublin and/or listed, traded and/or quoted on any other listing authority, stock exchange and/or quotation system as the Issuer may decide. The Issuer shall be responsible for any fees incurred therewith. The Issuer shall notify the relevant Dealer of any change of listing venue in accordance with the Dealer Agreement. No Notes may be issued on an unlisted basis. |
| **Delivery:** | The Notes will be available in London for delivery to Euroclear or Clearstream, Luxembourg or to any other recognised clearing system (as its nominee or depositary) in which the Notes may from time to time be held. |
| **Selling Restrictions:** | The offering and sale of the Notes is subject to all applicable selling restrictions including, without limitation, those of the United States of America, the United Kingdom, Japan, Singapore, Spain and France (see "*Subscription and Sale*"). |
| **Governing Law:** | The status of the Notes, the exercise of the Bail-in Power by the Relevant Resolution Authority, the capacity of the Issuer and the relevant corporate resolutions shall be governed by Spanish law. Any non-contractual obligations arising out of or in connection with the Notes, the terms and conditions of the Notes and all related contractual documentation will be governed by, and construed in accordance with, English law. |

| | |
|---|---|
| **Use of Proceeds:** | The net proceeds of the issue of the Notes will be deposited on a permanent basis with Banco Santander and will be used for the general funding purposes of the Group. |

The description of the Issuer is set out in certain sections of the 2019 Annual Report. These sections have been incorporated by reference into this Information Memorandum (see "*Documents Incorporated by Reference*"), which provides a table reconciling the content of this section with the corresponding page number(s) of the 2019 Annual Report containing such information.

**Recent Developments**

*IRPH index*

The Bank has a portfolio of mortgage loan contracts referenced to the Mortgage Loan Benchmark Index, (*Índice de Referencia de Préstamos Hipotecarios*) (hereafter, "**IRPH**"), the official index published by the Bank of Spain. A number of proceedings have been initiated against most of the Spanish banking sector, arguing that the clauses relating to the sector do not comply with European transparency rules. On 14 December 2017, the Spanish Supreme Court confirmed the validity of these clauses, considering that the IRPH is an official index and therefore not subject to transparency requirements. This case was brought before the Court of Justice of the European Union ("**CJEU**") by way of a preliminary ruling. On 3 March 2020, the CJEU issued its decision.

The CJEU ruled that, with the IRPH being a valid index, national courts and judges should examine their use in each contract in particular to verify whether transparency requirements are fulfilled. In judging whether such requirements have been fulfilled, national courts should take into account the totality of the circumstances, including analysing whether the essential information relating to the calculation of the index was easily accessible as well as the index´s past fluctuation data.

Finally, in relation to the effects of the nullity of a clause containing the IRPH index, the CJEU empowers national courts to integrate the contract by replacing it with another legal index and thus not to declare the entire contract void.

The uncertainty regarding the effects of the CJEU judgement continues as national courts and judges will decide on a case-by-case basis whether the clause is abusive and the concrete effects of such a finding of abuse. Therefore, it is not yet possible to estimate the potential exposure. The outstanding amount of mortgage loans to individuals referenced to IRPH and included in the group balance sheet currently amounts to approximately €4,300 million.

For further information see note 25(e)(ii) to the 2019 Financial Statements.

*COVID-19*

Since December 2019, COVID-19 has progressively spread from China to other countries, mainly in the Middle East, Europe (including Spain and the UK) and the United States, amongst others, generating sharp declines in securities markets, a slowdown in activity at the global level, and high uncertainty in relation to its possible medium- and long-term impact on local and global economic activity.

On 17 March 2020, the Group announced that, although it was too early to estimate the impact of the COVID-19, it did not expect a material impact on the activity in the first quarter of 2020 resulting from the coronavirus and that the impact would depend in any event on how the situation evolves. In the case of a "V-shaped" minor impact scenario, the Group had estimated a negative impact of around 5 per cent. on the 2020 results to date, without taking any mitigating measures into account. At the date of this Information Memorandum, the Group has not reported a new estimation of the impact due to the high uncertainty and changing nature of the situation.

On 23 March 2020, Banco Santander announced that the board of directors will consolidate any dividend payments relating to 2020 into a single payment to be made in May 2021 and will propose to the shareholders at the general shareholders' meeting the final amount to be paid once the impact of the pandemic has been known. These announcements were later supplemented by decisions regarding the interim dividend for 2019 and the dividends policy for 2020, as discussed in more detail below.

Santander has also created a fund for the entire Group, financed by the reduction in the remuneration of the board of directors and senior management, to which other employees may also contribute, to provide medical equipment and equipment to help prevent the spread of the virus. The Bank expects the fund to be established with an initial amount of at least €25 million.

The Group executive chairman of Santander, Ana Botín and the CEO, José Antonio Álvarez, have decided to reduce their remuneration for 2020 (fixed and variable) by 50 per cent..

The Group continues to analyse the progress of the pandemic in all its markets on a daily basis, in accordance with the local needs of each country. Santander has already announced a series of measures to protect and support its employees and customers, including emergency liquidity lines for SMEs in difficulties; payment moratoria in some markets; branch closures to protect employees while ensuring the continuity of the service throughout the commercial network; protection of our teams, first by suspending travel and then by making teleworking easier; and, in the case of our shareholders, holding a totally remote annual general shareholders meeting on 3 April 2020.

*Fitch Ratings review of the Bank's rating.*

On 27 March 2020, Banco Santander announced that Fitch Ratings confirmed the rating of long-term debt and deposits at A-/F2, changing the outlook from stable to negative in view of the economic consequences that COVID-19 may have on the rating in the medium term.

Furthermore, as a result of its change in methodology, Fitch Ratings has reviewed the rating given to the Bank in relation to subordinated debt (T2) and rated BBB from BBB+ and Preference Shares (AT1) at BB+.

*The ECB recommends not paying dividends out of the 2019 and 2020 accounts until at least 1 October 2020.*

On 27 March 2020, the ECB issued a press release requesting that banks do not pay dividends or buy back shares during the COVID-19 pandemic until at least 1 October 2020. The recommendation applies to 2019 dividends (but not retroactively paid) and 2020 dividends.

The ECB expects banks to continue to finance households, small businesses and businesses.

*The PRA requests to suspend dividend payments until the end of 2020.*

On 31 March 2020, the UK's PRA sent a letter to Santander UK asking that the bank suspend dividend payments and buybacks of ordinary shares until the end of 2020, and communicated that the regulator expected that the Bank will not pay any cash bonuses to the Bank's senior management in the coming months.

*Santander cancels interim dividend for 2019 and dividend policy for 2020.*

On 23 March 2020, the Bank announced its decision to cancel the interim dividend in connection with 2019 and to postpone any dividend decision in connection with 2020 until there is greater visibility on the potential impact of the COVID-19 crisis.

That decision was taken to give the Bank the greatest possible flexibility to be able to increase credit and support the needs of companies and individuals affected by the COVID-19 pandemic, but while noting at the same time that the Bank comfortably meets the capital requirements to maintain its dividend policy (40-50 per cent. pay-out) and is comfortable with the buffers it has with respect to the regulatory minimums required.

On 27 March 2020, the ECB proposed, by means of a recommendation addressed to all the European banks under its supervision, to preserve capital by cancelling the dividend payment in connection with 2019 and 2020 results, precisely with the same targets as the Bank took in connection with the aforementioned decision.

This recommendation explicitly provided that those entities that had already convened their annual general shareholders' meeting, as was the case of the Bank, should change their dividend proposal to comply with the recommendation. Likewise, on 31 March 2020, Royal Decree-Law 11/2020 was approved, expressly regulating and enabling the withdrawal of the proposal for the application of the result of the shareholders' meetings already convened. This regulation explicitly allows the Bank to comply with the ECB recommendation.

On 2 April 2020, taking into account the ECB's recommendation and in line with the Bank's mission to help people and businesses prosper, the Bank's board of directors decided to cancel the payment of the 2019 interim dividend as well as the dividend policy for 2020, adopting for this purpose the following resolutions:

(a) to revise its dividend policy, including for the application of the 2020 results, in the sense that the board's intention is now not to propose any dividend distribution to shareholders until there is more visibility of the effects of the COVID-19 crisis and the 2020 results are known;

(b) to withdraw from the agenda of the ordinary general shareholders meeting of the Bank that would be held on 3 April 2020 on second call the proposals under points Two (Application of 2019 results) and Seven A (Capital increase against reserves to implement the scrip dividend that was contemplated in connection with the above mentioned application of results). This withdrawal does not affect the Bank's annual accounts (nor, therefore, requires them to be restated) nor the approval of the points under point One (Annual accounts

and corporate management) nor under any other points of the agenda, as provided for by Royal Decree-Law 11/2020 and the joint communication issued by the Spanish National Securities Commission and the Spanish Registrars Society on 26 March 2020;

(c) to withdraw the resolutions of the board passed on 28 January and 27 February through which the above mentioned proposed application of 2019 results was put forward for approval by the ordinary general shareholders meeting; and

(d) to expressly establish that the board's intention is that the new proposed application of 2019 results, which will be submitted for approval by a new general shareholders meeting to be held within the legal term prescribed for holding the ordinary general shareholders meeting (and which is expected to take place in October 2020), will be to apply the 2019 results in full (excluding the amount of the interim dividend paid in November 2019 which totalled €1,661,811,458.20) to voluntary reserves, without prejudice to the possibility of it being then resolved to propose to such general shareholders meeting a distribution following a reassessment of the situation once the uncertainties caused by the COVID-19 crisis disappear.

On 2 April 2020, the Bank also announced that, in relation to the resolutions adopted by the board of directors mentioned above, the Bank's auditor, PricewaterhouseCoopers Auditores, S.L., confirmed that it would not have modified its audit opinion if it had known about these resolutions when signing its audit reports.

*General Shareholders' Meeting April 2020.*

On 3 April 2020, the Bank's ordinary general shareholders' meeting was held. Pursuant to Royal Decree-Law 463/2020, of 14 March, declaring the state of alarm for the management of the health crisis situation caused by COVID-19, the location originally scheduled for the holding of the meeting was moved to the Santander Group City in Boadilla del Monte (Madrid) and was held without the physical or face-to-face attendance of shareholders, but rather through the remote attendance systems established in the Bank's by-laws and regulations, guaranteeing the exercise of the rights to information, remote attendance, intervention and voting at the general shareholders' meeting.

All proposed resolutions, mandatory reports from directors and other necessary legal documentation relating to the general shareholders' meeting were published on 28 February 2020 on the Group's website.

A total of 589,268 shareholders attended the meeting, holders of 10,802,580,226 shares, therefore amounting to quorum of 65.0 per cent. of the Bank´s capital stock. The resolutions submitted to a vote received an average of 98.2 per cent. of favourable votes, with the Bank´s social management having been approved with 99.7 per cent. of the votes. The policy relating to the directors´ remuneration, for the 2020, 2021 and 2022 financial years, obtained 94.4 per cent. of votes in favour.

All proposed resolutions, mandatory reports from directors and other necessary legal documentation relating to the general shareholders' meeting were published on 28 February 2020 on the Group's website.

Furthermore, and in compliance with the recommendation issued by the ECB on 27 March 2020, as indicated above, on 2 April 2020 the Bank announced the decision of the board of directors to withdraw points Two and Seven A from the agenda of the proposed resolutions, relating to (i) the application of the Bank´s 2019 results as achieved by the Bank during the 2019 financial year and (ii) the capital increase against reserves to implement the scrip dividend that was contemplated in connection with the application of the 2019 results. By no later than 31 October 2020, a new meeting will be held in which the shareholders will have the opportunity to decide on the proposal for the application of the Bank´s 2019 results, which may differ from the one initially formulated for the referred meeting, and, as the case may be, on the appropriate supplementary resolutions.

On the other hand, the proposed resolutions relating to points Three B, C, D, E, F, G and H of said agenda were approved, by which the appointment of two new directors, D. Luis Isasi as independent director and Mr. Sergio Rial as executive director; as well as the ratification and re-election of the director Mrs Pamela Walkden, as independent director; and the re-election of the following directors were approved: Ms Ana Botín-Sanz de Sautuola as executive director, Mr. Rodrigo Echenique as independent director, Ms. Esther Giménez-Salinas as independent director and Ms. Sol Daurella, also as independent directors.

Notwithstanding the foregoing, the effectiveness of the appointment of the two new directors is subject to obtaining the relevant regulatory authorisations.

Lastly, it should be noted that, with effect from the holding of the meeting on 3 April 2020, Mr. Guillermo de la Dehesa resigned as a member of the board of directors and, consequently, of the executive committee, the appointments committee, the remuneration committee and the innovation and technology committee.

Full details of the resolutions approved by the General Shareholders' Meeting can be found on the corporate website (www.santander.com).

## CERTAIN INFORMATION IN RESPECT OF THE NOTES

### Key Information

The persons involved in the Programme and the capacities in which they act are specified at the end of this Information Memorandum.

The net proceeds of the issue of each issue of Notes will be deposited on a permanent basis with the Issuer and will be used for the general funding purposes of the Group.

### Information Concerning the Securities to be admitted to Trading

*Total amount of Notes Admitted to Trading*

The aggregate amount of each issue of Notes on the date of issue of such Notes will be set out in the applicable Final Terms.

The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time is €15,000,000,000 (or its equivalent in other currencies). Such amount may be increased from time to time in accordance with the Dealer Agreement.

*Type and Class of Notes*

Notes will be issued in tranches. Global Notes shall be issued (and interests therein exchanged for Definitive Notes, if applicable) in the following minimum denominations (or integral multiples thereof):

(a) for U.S.$ Notes, U.S.$500,000;

(b) for euro Notes, €500,000;

(c) for Sterling Notes, £100,000;

(d) for Yen Notes, Yen 100,000,000;

(e) for Swiss franc Notes, CHF 500,000;

(f) for Australian dollar Notes, A$1,000,000;

(g) for Canadian dollar Notes, C$500,000; or

(h) for New Zealand dollar Notes, NZ$1,000,000,

or such other conventionally accepted denominations in those currencies (including, in addition to those listed above, Danish kroner, Swedish kroner and Norwegian kroner) as may be agreed between the Issuer and the relevant Dealer from time to time, subject in each case to compliance with all applicable legal and regulatory requirements and **provided that** the equivalent of that denomination in Sterling as at the Issue Date is not less than £100,000.

The international security identification number of each issue of Notes will be specified in the relevant Final Terms.

*Legislation under which the Notes and the Deed of Covenant have been created*

The status of the Notes, the capacity of the Issuer and the relevant corporate resolutions shall be governed by Spanish law. Any non-contractual obligations arising out of or in connection with the Notes, the terms and conditions of the Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.

*Form of the Notes*

The Notes will be in bearer form. Each issue of Notes will initially be represented by a Global Note and, in the case of a Global Note which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Notes with a depositary or

common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Global Note may, if so specified in the relevant Final Terms, be exchangeable for Notes in definitive bearer form in the limited circumstances specified in the relevant Global Note.

On 13 June 2006 the ECB announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

*Currency of the Notes*

Notes may be issued in Australian Dollars, Canadian Dollars, Euro, Japanese Yen, New Zealand Dollars, Sterling, Swiss Francs and United States Dollars and such other currencies as may be agreed between the Issuer and the relevant Dealer(s) from time to time and subject to the necessary regulatory requirements having been satisfied.

*Status of the Notes*

The payment obligations of the Issuer pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations (*créditos ordinados*) of the Issuer, and, in accordance with Additional Provision 14.2º of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer (and unless they qualify as subordinated debts (*créditos subordinados*) under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future), such payment obligations in respect of principal rank (a) *pari passu* and rateably without any preference among themselves and with any Senior Higher Priority Liabilities and (b) senior to (i) Senior Non Preferred Liabilities and (ii) any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with article 92 of the Insolvency Law.

"**Law 11/2015**" means Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment firms, as amended from time to time.

"**Senior Higher Priority Liabilities**" means any obligations in respect of principal of the Issuer under any Notes and any other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, other than the Senior Non Preferred Liabilities; and

"**Senior Non Preferred Liabilities**" means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2º of Law 11/2015 and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non Preferred Liabilities.

*In the event of insolvency (concurso) of the Issuer, under the Insolvency Law, claims relating to the Notes (unless they qualify as subordinated credits (créditos subordinados) under the limited events regulated by Article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. The claims that qualify as subordinated credits under the limited events regulated by Article 92 of the Insolvency Law include, but are not limited to, any accrued and unpaid interests due in respect of any Notes at the commencement of an insolvency proceeding (concurso) of the Issuer (including, for Notes sold at a discount, the amortisation of the original issue discount from (and including) the date of issue to (but excluding) the date upon which the insolvency proceeding (concurso) of the Issuer commenced). Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders. Under Spanish law, accrual of interests shall be suspended from the date of any declaration of insolvency (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security).*

*Rights attaching to the Notes*

Each issue of Notes will be the subject of Final Terms which, for the purposes of that issue only, supplements the terms and conditions set out in the relevant Global Note or, as the case may be, definitive Notes and must be read in conjunction with the relevant Notes. See "*Forms of Notes*" and "*Form of Final Terms*".

*Maturity of the Notes*

The Maturity Date applicable to each issue of Notes will be specified in the relevant Final Terms. The Maturity Date of an issue of Notes may not be less than one day nor more than 364 days, subject to applicable legal and regulatory requirements.

*Optional Redemption for Tax Reasons*

The Issuer may redeem Notes (in whole but not in part) if they have or will become obliged to pay additional amounts pursuant to the terms and conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) which change or amendment becomes effective on or after the issue date of the relevant Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to them.

*Prescription*

Claims for payment of principal and interest in respect of the Notes shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date in each case as specified in the relevant Final Terms.

*Yield Basis*

Notes may be issued on the basis that they will be interest bearing or they may be issued at a discount (in which case they will not bear interest). The yield basis in respect of Notes bearing interest at a fixed rate will be set out in the relevant Final Terms.

*Authorisations and approvals*

The update of the Programme and the issuance of Notes pursuant thereto was authorised by resolutions of the shareholders of Banco Santander passed on 7 April 2017, the Board of Directors of Banco Santander passed 7 April 2017 and the Executive Committee of Banco Santander passed on 13 April 2020.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

**Admission to Trading and Dealing Arrangements**

Application has been made to Euronext Dublin for Notes issued under the Programme during the period of twelve months after the date of this Information Memorandum to be admitted to the Official List and to trading on the regulated market of Euronext Dublin. Notes may be listed, traded and/or quoted on any other listing authority, stock exchange and/or quotations system, as the Issuer may decide. The Issuer shall be responsible for any fees incurred therewith. The Issuer shall notify the relevant Dealer of any change of listing venue in accordance with the Dealer Agreement. No Notes may be issued on an unlisted basis.

Citibank N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK, is the Issuing and Paying Agent in respect of the Notes.

**Expense of the Admission to Trading**

An estimate of the expenses in relation to the admission to trading of each issue of Notes will be specified in the relevant Final Terms.

**Additional Information**

The legal advisers and capacity in which they act are specified at the end of this Information Memorandum.

As at the date of this Information Memorandum, the Programme's short-term public credit rating is as follows:

S&P Global Ratings Europe Limited: A-1

Fitch Ratings España, S.A.U.: F1

Moody's Investors Service España, S.A.: P-1

The credit ratings assigned to the Notes to be issued under the Programme will be set out in the relevant Final Terms.

***A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, charge or withdrawal at any time by the assigning rating agency.***

## FORMS OF NOTES

## PART A– FORM OF MULTICURRENCY GLOBAL NOTE

THE SECURITIES REPRESENTED BY THIS GLOBAL NOTE AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY U.S. STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THIS SECURITY FORMS PART.

**BANCO SANTANDER, S.A.**
(LEI: 5493006QMFDDMYWIAM13)
(*Incorporated with limited liability in the Kingdom of Spain*)

**€15,000,000,000**

**EURO-COMMERCIAL PAPER PROGRAMME**

1. For value received, Banco Santander, S.A. (the "**Issuer**") promises to pay to the bearer of this Global Note on the Maturity Date set out in the Final Terms or on such earlier date as the same may become payable in accordance with paragraph 4 below (the "**Relevant Date**"), the aggregate Nominal Amount or, as the case may be, the Redemption Amount set out in the Final Terms, together with interest thereon, if this is an interest bearing Global Note, at the rate and at the times (if any) specified herein and in the Final Terms. Terms defined in the Final Terms attached hereto but not otherwise defined in this Global Note shall have the same meaning in this Global Note.

   All such payments shall be made in accordance with an amended and restated issuing and paying agency agreement (the "**Agency Agreement**") dated 16 April 2020 (as amended and restated or supplemented from time to time) between the Issuer and Citibank N.A., London Branch as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, in the case of a Global Note denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Union.

   Notwithstanding the foregoing, presentation and surrender of this Global Note shall be made outside the United States and no amount shall be paid by transfer to an account in the United States, or mailed to an address in the United States. In the case of a Global Note denominated in U.S. dollars, payments shall be made by transfer to an account denominated in U.S. Dollars in the principal financial centre of any country outside of the United States that the Issuer or Issuing and Paying Agent so chooses.

2. If the Final Terms specify that the New Global Note form is applicable, this Global Note shall be a "**New Global Note**" or "**NGN**" and the aggregate Nominal Amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs (as defined below). The records of the ICSDs (which expression in this Global Note means the records that each ICSD holds for its customers which reflect the amount of such customers' interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD)) shall be conclusive evidence of the aggregate Nominal Amount of Notes represented by this Global Note and, for these purposes, a statement issued by an ICSD (which statement shall be made available to the bearer upon request) stating the aggregate Nominal Amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the ICSD at that time.

If the Final Terms specify that the New Global Note form is not applicable, this Global Note shall be a "**Classic Global Note**" or "**CGN**" and the aggregate Nominal Amount of Notes represented by this Global Note shall be the aggregate Nominal Amount stated in the Final Terms or, if lower, the aggregate Nominal Amount most recently entered by or on behalf of the Issuer in the relevant column in the Schedule hereto.

3. All payments in respect of this Global Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any taxing authority or agency thereof or therein ("**Taxes**"). If the Issuer or any agent thereof is required by law or regulation to make any deduction or withholding for or on account of Taxes, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Global Note or the holder or beneficial owner of any interest herein or rights in respect hereof (each, a "**Beneficial Owner**") after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that the Issuer shall not be required to pay any additional amounts in relation to any payment:

   (i) to, or to a third party on behalf of, a Beneficial Owner of a Note who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Spain other than the mere holding of such Note; or

   (ii) to, or to a third party on behalf of, a holder in respect of whose Notes the Issuer does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or

   (iii) in respect of any Note presented for payment more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, 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 fifteen days; or

4. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 14 days notice to the holders (which notice shall be irrevocable), at the Redemption Amount specified in the Final Terms, together with (if this Note is an interest bearing Note) interest accrued to the date fixed for redemption, if:

   (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in paragraph 3 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision thereof or any authority or agency thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date specified in the Final Terms; and

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

   *provided, however, that* no such notice of redemption shall be given earlier than 14 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

   Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent:

   (a) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

   (b) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this paragraph, the Issuer shall be bound to redeem the Notes in accordance with this paragraph.

5. The Issuer may at any time purchase Notes in the open market or otherwise and at any price *provided that* all unmatured interest coupons (if this Global Note is an interest bearing Global Note) are purchased therewith.

6. All Notes so purchased by the Issuer otherwise than in the ordinary course of business of dealings in securities or as a nominee shall be cancelled and shall not be reissued or resold. All Notes so purchased by any subsidiary of the Issuer may be cancelled, held by such subsidiary or resold.

7. On each occasion on which:

   (i) *Definitive Notes:* Notes in definitive form are delivered; or

   (ii) *Cancellation:* Notes represented by this Global Note are to be cancelled in accordance with paragraph 6,

   the Issuer shall procure that:

   (a) if the Final Terms specify that the New Global Note form is not applicable, (i) the aggregate principal amount of such Notes; and (ii) the remaining aggregate Nominal Amount of Notes represented by this Global Note (which shall be the previous aggregate Nominal Amount hereof less the aggregate of the amount referred to in (i) above) are entered in the Schedule hereto, whereupon the aggregate Nominal Amount of Notes represented by this Global Note shall for all purposes be as most recently so entered; and

   (b) if the Final Terms specify that the New Global Note form is applicable, details of the exchange or cancellation shall be entered pro rata in the records of the ICSDs and the aggregate Nominal Amount of the Notes entered in the records of the ICSDs and represented by this Global Note shall be reduced by the principal amount so exchanged or cancelled.

8. The payment obligations of the Issuer represented by this Global Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency of the Issuer (and unless they qualify as subordinated debts (*créditos subordinados*) under article 92 of the Law 22/2003 (*Ley Concursal*) dated 9 July 2003 or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank (a) *pari passu* and rateably without any preference among themselves and with any Senior Higher Priority Liabilities and (b) senior to (i) Senior Non Preferred Liabilities and (ii) any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with article 92 of the Insolvency Law.

   "**Law 11/2015**" means Law 11/2015 of 18 June on recovery and resolution of credit institutions and investment firms, as amended or superseded from time to time;

   "**Senior Higher Priority Liabilities**" means any obligations in respect of principal of the Issuer under any Notes and any other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, other than the Senior Non Preferred Liabilities; and

   "**Senior Non Preferred Liabilities**" means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2º of Law 11/2015 and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non Preferred Liabilities.

9. If the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date, is not a Payment Business Day (as defined herein) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day unless that date falls more than 364 days after the Issue Date, in which case payment shall be made on the immediately preceding Payment Business Day, and the bearer of this Global Note shall not be entitled to any interest or other sums in respect of such postponed payment.

As used in this Global Note:

"**Payment Business Day**" means any day other than a Saturday or Sunday which is either (i) if the Specified Currency set out in the Final Terms is any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the Specified Currency set out in the Final Terms (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency set out in the Final Terms is Euro, a day which is a TARGET Business Day; and

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"**TARGET Business Day**" means any day on which TARGET2 is open for the settlement of payments in Euro.

10. This Global Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof (notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof).

11. This Global Note is issued in respect of an issue of Notes of the Issuer and is exchangeable in whole (but not in part only) for duly executed and authenticated bearer Notes in definitive form (whether before, on or, subject as provided below, after the Maturity Date):

    (a) if Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**", together with Euroclear, the international central securities depositaries or "**ICSDs**") or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease to do business or does so in fact; or

    (b) if default is made in the payment of any amount payable in respect of this Global Note; or

    (c) the Notes are required to be removed from Euroclear, Clearstream, Luxembourg, or any other clearing system and no suitable (in the determination of the Issuer) alternative clearing system is available.

    Upon presentation and surrender of this Global Note during normal business hours to the Issuer at the offices of the Issuing and Paying Agent (or to any other person or at any other office outside the United States as may be designated in writing by the Issuer to the bearer), the Issuing and Paying Agent shall authenticate and deliver, in exchange for this Global Note, bearer definitive notes denominated in the Specified Currency set out in the Final Terms in an aggregate nominal amount equal to the aggregate Nominal Amount of this Global Note.

12. If, upon any such default and following such surrender, definitive Notes are not issued in full exchange for this Global Note before 5.00 p.m. (London time) on the thirtieth day after surrender, this Global Note (including the obligation hereunder to issue definitive notes) will become void and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under a Deed of Covenant dated 20 April 2018 entered into by the Issuer).

13. If this is an interest bearing Global Note, then:

    (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Global Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in paragraph 1 shall be payable on such fifteenth day;

(b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Global Note, the Issuer shall procure that:

(i) if the Final Terms specify that the New Global Note form is not applicable, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment; and

(ii) if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered pro rata in the records of the ICSDs.

14. If this is a fixed rate interest bearing Global Note, interest shall be calculated on the aggregate Nominal Amount as follows:

(a) interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, Australian Dollars or Canadian Dollars, 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards); and

(b) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an "Interest Period" for the purposes of this paragraph.

15. If this is a floating rate interest bearing Global Note, interest shall be calculated on the aggregate Nominal Amount as follows:

(a) in the case of a Global Note which specifies LIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. The Rate of Interest determined for any Interest Period by reference to LIBOR shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Period for Floating Rates Notes is not negative. Interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days.

As used in this Global Note (and unless otherwise specified in the Final Terms):

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the Issue Date specified in the relevant Final Terms) published by the International Swaps and Derivatives Association, Inc.;

"**LIBOR**" shall be equal to the rate defined as "LIBOR-BBA" in respect of the above-mentioned Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Global Note, including by the ISDA Benchmarks Supplement, as specified in the relevant Final Terms, (the "**ISDA Definitions**")) as at 11.00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period or, if this Global Note is denominated in Sterling, on the first day thereof (a "**LIBOR Interest Determination Date**"), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate; and

"**London Banking Day**" shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

If such rate does not appear on that page or if that page is unavailable, the Calculation Agent will:

(i) request the Relevant Financial Centre office of each of the four major banks selected by the Issuer in the market that are most closely connected with the Reference Rate (excluding the Calculation Agent) to provide a quotation of the Reference Rate at approximately the Relevant Time on the LIBOR Interest Determination Date offered to leading 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

(ii) determine the arithmetic mean of such quotations.

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 selected by the Issuer, at approximately 11.00 a.m. (local time in the Relevant Financial Centre) 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 of Interest for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined.

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 of Interest will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period.

(b) in the case of a Global Note which specifies EURIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EURIBOR and the Margin specified in the Final Terms (if any) above or below EURIBOR. The Rate of Interest determined for any Interest Period by reference to EURIBOR shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Period for Floating Rate Notes is not negative. Interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Global Note (and unless otherwise specified in the Final Terms), "**EURIBOR**" shall be equal to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) as at 11.00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET Business Day before the first day of the relevant Interest Period (a "**EURIBOR Interest Determination Date**"), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate.

If such rate does not appear on that page or if that page is unavailable, the Calculation Agent will:

(i) request the Relevant Financial Centre office of each of the four major banks selected by the Issuer in the market that are most closely connected with the Reference Rate (excluding the Calculation Agent) to provide a quotation of the Reference Rate at approximately the Relevant Time on the EURIBOR Interest Determination Date offered to leading 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

(ii) determine the arithmetic mean of such quotations.

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 such financial centre(s) as the Issuer may select), at approximately 11.00 a.m. (Brussels time) 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 of Interest for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined.

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 of Interest will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period.

(c) in the case of a Global Note which specifies ISDA Determination in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) 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 as specified in the relevant Final Terms.

The Rate of Interest determined for any Interest Period according to ISDA Determination shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Accrual Period for Floating Rate Notes is not negative.

(d) in the case of a Global Note which specifies EONIA as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EONIA and the Margin specified in the Final Terms (if any), determined on each TARGET Business Day during the relevant Interest Period as specified below. The Rate of Interest determined for any Interest Period by reference to EONIA shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Period for Floating Rates Notes is not negative. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified on the actual number of days in such Interest Period and a year of 360 days.

As used in this Global Note (unless otherwise specified in the Final Terms) "**EONIA**", for each day in an Interest Period beginning on, and including, the first day of such Interest Period and ending on, but excluding, the last day of such Interest Period, shall be equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day at 11.00 a.m. (Brussels time) on the TARGET Business Day immediately following such day, (each an "**EONIA Interest Determination Date**"), as if the Reset Date (as defined in the ISDA Definitions) was the first day of such Interest Period and the Designated

Maturity (as defined in the ISDA Definitions) was the number of months specified in the Final Terms in relation to the Reference Rate.

If such rate does not appear on that page or if that page is unavailable, the Calculation Agent will:

(i) request the Relevant Financial Centre office of each of the four major banks selected by the Issuer in the market that are most closely connected with the Reference Rate (excluding the Calculation Agent) to provide a quotation of the Reference Rate at approximately the Relevant Time on the EONIA Interest Determination Date offered to leading 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

(ii) determine the arithmetic mean of such quotations.

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 such financial centre(s) as the Issuer may select), at approximately 11.00 a.m. (Brussels time) 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 of Interest for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined.

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 of Interest will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period.

(e) in the case of a Global Note which specifies SONIA as the Reference Rate in the Final Terms, the Rate of Interest will, subject as provided below, be Compounded Daily SONIA plus or minus (as specified in the relevant Final Terms) the Margin, all as determined by the Calculation Agent.

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Rate of Interest (the Screen Rate) is to be determined and the Final Terms specify that the Reference Rate is SONIA, the Rate of Interest for each Interest Period will as provided below, be Compounded Daily SONIA, where:

"**Compounded Daily SONIA**" means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling Overnight Index Average (SONIA) as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the SONIA Interest Determination Date (as specified in the Final Terms), as follows, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded up:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SONIA_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Observation Period;

"**$d_0$**" is the number of London Banking Days in the relevant Observation Period;

"**i**" is a series of whole numbers from one to d0, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Observation Period;

"**London Banking Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"$\mathbf{n_i}$", for any London Banking Day "i", means the number of calendar days from and including such London Banking Day "i" up to but excluding the following London Banking Day;

"**Observation Period**" means the period from and including the date falling "p" London Banking Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, in any, on which the Notes become due and payable);

"**p**" means the number of London Banking Days by which an Observation Period precedes an Interest Period, as specified in the applicable Final Terms (or, if no such number is specified, five London Banking Days);

"**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;

the "**SONIA reference rate**", means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (in each case on the London Banking Day immediately following such London Banking Day); and

"$\mathbf{SONIA_i}$" means, in respect of any London Banking Day "i", the SONIA reference rate for that day.

If, in respect of any London Business Day in the relevant Observation Period, the Calculation Agent determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be:

(i) (A) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (B) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or

(ii) if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

(f) the Calculation Agent specified in the Final Terms will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date; 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date; 11.00 a.m. (Brussels time) on each EONIA Interest Determination Date; at the Relevant Time specified in the relevant Final Terms on each SONIA Interest Determination Date; or in the case of ISDA Determination, at the time and on the Reset Date specified in the relevant Final Terms, determine the Rate of Interest and calculate the amount of interest payable (the "**Amount of Interest**") for the relevant Interest Period. "**Rate**

**of Interest**" means (A) if the Reference Rate is LIBOR, the rate which is determined in accordance with the provisions of paragraph (a); (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph (b); (C) in the case of a Global Note which specifies ISDA Determination in the Final Terms, the rate which is determined in accordance with the provisions of paragraph (c); (D) if the Reference Rate is EONIA, the rate which is determined in accordance with the provisions of paragraph (d) and if the Reference Rate is SONIA, the rate which is determined in accordance with the provisions of paragraph (e). The Amount of Interest shall be calculated by applying the Rate of Interest to the Nominal Amount of one Note of each Denomination, multiplying such product by the Day Count Convention specified in the Final Terms or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 or, if this Global Note is denominated in Sterling, by 365 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;

(g) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall be conclusive and binding as between the Issuer and the bearer hereof;

(h) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an "**Interest Period**" for the purposes of this paragraph; and

(i) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to the clearing system(s) and/or depositaries in which this Global Note is held at the relevant time or, if this Global Note has been exchanged for bearer definitive Notes pursuant to paragraph 11, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*).

(j) If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate (subject to the terms of this paragraph (j)), failing which an Alternative Rate (in accordance with paragraph (j), and, in either case, an Adjustment Spread if any (in accordance with paragraph (j) and any Benchmark Amendments (in accordance with paragraph (j)).

An Independent Adviser appointed pursuant to this paragraph (j) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agent, or the Holders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this paragraph (j).

If (a) the Issuer is unable to appoint an Independent Adviser; or (b) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this paragraph (j) prior to the relevant LIBOR Interest Determination Date, EURIBOR Interest Determination Date, EONIA Interest Determination Date or SONIA Interest Determination Date, as applicable, the Rate of Interest applicable to the next succeeding Reset Period or Interest Period, as applicable, shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period, respectively. For the avoidance of doubt, this paragraph (j) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this paragraph (j).

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in paragraph (j)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Notes (subject to the operation of this paragraph (j)); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in paragraph (j)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Notes (subject to the operation of this paragraph (j)).

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), if any, shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

If any Successor Rate, Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this paragraph (j) and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i j that amendments to these terms and conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with paragraph (j), without any requirement for the consent or approval of Holders, vary these terms and conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this paragraph (j), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this paragraph (j) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these terms and conditions.

In connection with any such variation in accordance with this paragraph (j), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this paragraph (j) will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Holders of the same, the Issuer shall deliver to the Issue and Paying Agent, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Issuer:

(i) confirming (a) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this paragraph (j); and

(ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Issue and Paying Agent shall display such certificate at its offices, for inspection by the Holders at all reasonable times during normal business hours.

Each of Issue and Paying Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Issue and Paying Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Issue and Paying Agent, the Calculation Agent, the Paying Agents and the Holders.

Notwithstanding any other provision of this paragraph (j), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this paragraph (j), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

Without prejudice to the obligations of the Issuer under the foregoing paragraphs, the Original Reference Rate and the fallback provisions provided for herein will continue to apply unless and until a Benchmark Event has occurred. Upon the occurrence of a Benchmark Event, this paragraph (j) shall prevail.

As used in this paragraph (j):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)

(ii) the Issuer, following consultation with the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied)

(iii) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged)

(iv) if no such spread, formula or methodology can be determined in accordance with (i) to (iii) above, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this subclause (iv) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Holders.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines in accordance with paragraph (j) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to exist or ceasing to be published for a period of at least 5 Business Days in relation to a Rate of Interest of Floating Rate Notes; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for the Issue and Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any holder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Issue and Paying Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Issue and Paying Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer.

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof), as applicable, on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

16. Instructions by the Issuer expressing its intention to pay the relevant interest amounts, less any necessary withholding must be received at the office of the Issuing and Paying Agent referred to above together with this Global Note as follows:

(a) if this Global Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;

(b) if this Global Note is denominated in United States dollars, Canadian dollars or Euro on or prior to the relevant payment date; and

(c) in all other cases, at least one Business Day prior to the relevant payment date.

As used in this paragraph, "**Business Day**" means:

(i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

(ii) in the case of payments in Euro, a TARGET Business Day; and

(iii) in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency set out in the Final Terms.

17. Upon any payment being made in respect of the Notes represented by this Global Note, the Issuer shall procure that:

(a) *CGN:* if the Final Terms specify that the New Global Note form is not applicable, details of such payment shall be entered in the Schedule hereto and, in the case of any payment of principal, the aggregate Nominal Amount of the Notes represented by this Global Note shall be reduced by the principal amount so paid; and

(b) *NGN:* if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered pro rata in the records of the ICSDs and, in the case of any payment of principal, the aggregate Nominal Amount of the Notes entered in the records of the ICSDs and represented by this Global Note shall be reduced by the principal amount so paid.

18. This Global Note shall not be validly issued unless manually authenticated by Citibank N.A., London Branch as Issuing and Paying Agent.

19. If the Final Terms specify that the New Global Note form is applicable, this Global Note shall not be valid for any purpose until it has been effectuated for and on behalf of the entity appointed as common safekeeper by the ICSDs.

20. The status of this Global Note, the exercise of the Bail-in Power by the Relevant Resolution Authority, the capacity of the Issuer and the relevant corporate resolutions shall be governed by Spanish law. This Global Note and any non-contractual obligations arising out of or connected with it are governed by, and construed in accordance with, English law.

(a) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with this Global Note (including a dispute relating to any non-contractual obligations arising out of or in connection with this Global Note or a dispute regarding the existence, validity or termination of this Global Note or the consequences of its nullity).

(b) *Appropriate forum*: The Issuer 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.

(c) *Rights of the bearer to take proceedings outside England*: Paragraph 21(a) (*English courts*) is for the benefit of the bearer only. As a result, nothing in this paragraph 20 prevents the bearer

from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.

(d) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London NW1 3AN or at any address of the Issuer in Great Britain at which service of process may be served on it. Nothing in this sub-paragraph shall affect the right of the bearer to serve process in any other manner permitted by law.

21. The Notes represented by this Global Note have been admitted to listing on the official list of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") and to trading on the regulated market of Euronext Dublin (and/or have been admitted to listing, trading and/or quotation on any other listing authority, stock exchange and/or quotation system), all notices required to be published concerning this Global Note shall be published in accordance with the requirements of Euronext Dublin (and/or of the relevant listing authority, stock exchange and/or quotation system). So long as the Notes are represented by this Global Note, and this Global Note has been deposited with a depositary or common depositary for the ICSDs, or any other relevant clearing system or a Common Safekeeper (which expression has the meaning given in the Agency Agreement), the Issuer may, in lieu of such publication and if so permitted by the rules of Euronext Dublin (and/or of the relevant listing authority, stock exchange and/or quotation system), deliver the relevant notice to the clearing system(s) in which this Global Note is held but only upon a receipt of an undertaking by such intermediaries to ensure the timely delivery of such notifications to such Beneficial Owners.

22. Claims for payment of principal and interest in respect of this Global Note shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date.

23. **Bail-in**

(a) *Acknowledgement*: Notwithstanding any other term of this Global Note or any other agreement, arrangement or understanding between the Issuer and the bearer, by its subscription and/or purchase and holding of this Global Note, each bearer (which for the purposes of this paragraph 23 includes each holder of a beneficial interest in this Global Note) acknowledges, accepts, consents to and agrees:

(i) to be bound by the effect of the exercise of the Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:

- the reduction of all, or a portion, of the Amounts Due on a permanent basis;
- the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the bearer of this Global Note of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of this Global Note, in which case the bearer agrees to accept in lieu of its rights under this Global Note any such shares, other securities or other obligations of the Issuer or another person;
- the cancellation of this Global Note or Amounts Due;
- the amendment or alteration of the maturity of this Global Note or amendment of the Amount of Interest payable on this Global Note, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(i) that the terms of this Global Note are subject to, and may be varied, if necessary, to give effect to, the exercise of the Bail-in Power by the Relevant Resolution Authority.

(b) *Payment of Interest and Other Outstanding Amounts Due:* No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in the Kingdom of Spain and the European Union applicable to the Issuer or other members of the Group.

(c) *Notice to bearer:* Upon the exercise of any Bail-in Power by the Relevant Resolution Authority with respect to this Global Note, the Issuer will make available a written notice to the bearer as soon as practicable regarding such exercise of the Bail-in Power. The Issuer will also deliver a copy of such notice to the Paying Agents for information purposes.

(d) *Duties of the Paying Agents:* Upon the exercise of any Bail-in Power by the Relevant Resolution Authority, (a) the Issue and Paying Agent shall not be required to take any directions from bearer, and (b) the Agency Agreement shall impose no duties upon the Issue and Paying Agent whatsoever, with respect to the exercise of any Bail-in Power by the Relevant Resolution Authority.

(e) *Proration:* If the Relevant Resolution Authority exercises the Bail-in Power with respect to less than the total Amounts Due, unless any of the Paying Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of this Global Note pursuant to the Bail-in Power will be made on a pro-rata basis.

(f) *Conditions Exhaustive:* The matters set forth in this paragraph 23 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any Holder.

For the purposes of this paragraph 23:

"**Amounts Due**" means the principal amount or outstanding amount, together with any accrued but unpaid interest, and additional amounts as described in paragraph 3, if any, due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Relevant Resolution Authority.

"**Bail-In Power**": means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the resolution of credit entities and/or transposition of the European Bank Recovery and Resolution Directive (Directive 2014/59/EU), including, but not limited to (i) Law 11/2015; (ii) Royal Decree 1012/2015, of 6 November, implementing Law 11/2015, as amended or superseded; (iii) the SRM Regulation; and (iv) any other instruments, rules or standards made or implemented in connection with either (i), (ii) or (iii), pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period).

"**Relevant Resolution Authority**" means the Fund for Orderly Bank Restructuring (*Fondo de Restructuración Ordenada Bancaria*), the Single Resolution Board or any other entity with the authority to exercise any the resolution tools and powers contained in Law 11/2015 and the SRM Regulation from time to time.

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time.

24. No person shall have any right to enforce any provision of this Global Note under the Contracts (Rights of Third Parties) Act 1999.

**AUTHENTICATED** by

**CITIBANK N.A.**, **LONDON BRANCH**

without recourse, warranty or liability and for authentication purposes only

By: .....
*(Authorised Signatory)*

Signed on behalf of:

**BANCO SANTANDER S.A.**

By: .....
*(Authorised Signatory)*

By: .....
*(Authorised Signatory)*

**EFFECTUATED** for and on behalf of

.....
as common safekeeper without recourse, warranty or liability

By: .....
[*manual signature*]
(*duly authorised*)

**SCHEDULE**[1]

**Payments of Interest, Delivery of Definitive Notes and Cancellation of Notes**

| **Date of payment, delivery or cancellation** | **Amount of interest then paid** | **Amount of interest withheld** | **Amount of principal then paid** | **Aggregate principal amount of Definitive Notes then delivered** | **Aggregate principal amount of Notes then cancelled** | **Notes then cancelled with respect to interest** | **Notes then cancelled with respect to principal** | **New aggregate Nominal Amount of this Global Note** | **Authorised signature** |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

[1] This Schedule should only be completed where the Final Terms specify that the New Global Note form is not applicable.

| **Date of payment, delivery or cancellation** | **Amount of interest then paid** | **Amount of interest withheld** | **Amount of principal then paid** | **Aggregate principal amount of Definitive Notes then delivered** | **Aggregate principal amount of Notes then cancelled** | **Notes then cancelled with respect to interest** | **Notes then cancelled with respect to principal** | **New aggregate Nominal Amount of this Global Note** | **Authorised signature** |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

**FINAL TERMS**

*[Completed Final Terms to be attached]*

## PART B – FORM OF MULTICURRENCY DEFINITIVE NOTE IN RESPECT OF BANCO SANTANDER

THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

**BANCO SANTANDER, S.A.**
(LEI: 5493006QMFDDMYWIAM13)
*(Incorporated with limited liability in the Kingdom of Spain)*

**€15,000,000,000**

**EURO-COMMERCIAL PAPER PROGRAMME**

Nominal Amount of this Note: .....

1. For value received, Banco Santander S.A. (the "**Issuer**") promises to pay to the bearer of this Note on the Maturity Date set out in the Final Terms, or on such earlier date as the same may become payable in accordance with paragraph 3 below (the "**Relevant Date**"), the above-mentioned Nominal Amount or, as the case may be, the Redemption Amount set out in the Final Terms, at the rate and at the times (if any) specified herein and in the Final Terms. Terms defined in the Final Terms attached hereto but not otherwise defined in this Note shall have the same meaning in this Note.

   All such payments shall be made in accordance with an amended and restated issuing and paying agency agreement (the "**Agency Agreement**") dated 16 April 2020 (as amended and restated or supplemented from time to time) between the Issuer and Citibank N.A., London Branch as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, if this Note is denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Union.

2. All payments in respect of this Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions, and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any taxing authority or agency thereof or therein ("**Taxes**"). If the Issuer or any agent thereof is required by law or regulation to make any deduction or withholding for or on account of Taxes, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Note (the "**holder**") after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that the Issuer shall not be required to pay any additional amounts in relation to any payment:

   (i) to, or to a third party on behalf of, a holder of a Note who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Spain other than the mere holding of such Note; or

(ii) to, or to a third party on behalf of, a holder in respect of whose Notes the Issuer does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or

(iii) in respect of any Note presented for payment more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, 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 fifteen days; or

3. This Note may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 14 days' notice to the holders (which notice shall be irrevocable), at the Redemption Amount specified in the Final Terms, together with (if this Note is an interest bearing Note) interest accrued to the date fixed for redemption, if:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in paragraph 2 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision thereof or any authority or agency thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date specified in the Final Terms; and

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

*provided, however, that* no such notice of redemption shall be given earlier than 14 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent:

(a) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(b) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this paragraph, the Issuer shall be bound to redeem the Notes in accordance with this paragraph.

4. The Issuer or any its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured interest coupons (if this Note is an interest bearing Note) are purchased therewith.

5. All Notes so purchased by the Issuer otherwise than in the ordinary course of business of dealings in securities or as a nominee shall be cancelled and shall not be reissued or resold. All Notes so purchased by any subsidiary of the Issuer may be cancelled, held by such subsidiary or resold.

6. The payment obligations of the Issuer represented by this Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency of the Issuer (and unless they qualify as subordinated debts (*créditos subordinados*) under article 92 of the Law 22/2003 (*Ley Concursal*) dated 9 July 2003 or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank (a) *pari passu* and rateably without any preference among other Notes of the same Series (as specified in the Final Terms) and with any Senior Higher Priority Liabilities and (b) senior to (i) Senior Non Preferred Liabilities and (ii) any present and future subordinated

obligations (*créditos subordinados*) of the Issuer in accordance with article 92 of the Insolvency Law.

"**Law 11/2015**" means Law 11/2015 of 18 June on recovery and resolution of credit institutions and investment firms, as amended or superseded from time to time;

"**Senior Higher Priority Liabilities**" means any obligations in respect of principal of the Issuer under any Notes and any other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, other than the Senior Non Preferred Liabilities; and

"**Senior Non Preferred Liabilities**" means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2º of Law 11/2015 and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank pari passu with the Senior Non Preferred Liabilities.

7. If the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date, is not a Payment Business Day (as defined herein) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day unless that date falls more than 364 days after the Issue Date, in which case payment shall be made on the immediately preceding Payment Business Day, and the bearer of this Note shall not be entitled to any interest or other sums in respect of such postponed payment.

As used herein, "**Payment Business Day**", shall mean any day, other than a Saturday or a Sunday, which is either (i) if the Specified Currency set out in the Final Terms is any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the Specified Currency set out in the Final Terms (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency set out in the Final Terms is Euro, a day which is a TARGET Business Day; and

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"**TARGET Business Day**" means any day on which TARGET2 is open for the settlement of payments in Euro.

8. This Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof (notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof).

9. [2][If this is an interest bearing Note, then:

(a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in paragraph 1 shall be payable on such fifteenth day; and

(b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Note, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment.

[2] If this Note is denominated in Sterling, delete paragraphs 9 through 12 inclusive and replace with interest provisions to be included on the reverse of the Note as indicated below.

10. If this is a fixed rate interest bearing Note, interest shall be calculated on the above-mentioned Nominal Amount as follows:

(a) interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Note is denominated in Australian Dollars or Canadian Dollars, 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards); and

(b) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an "**Interest Period**" for the purposes of this paragraph.

11. If this is a floating rate interest bearing Note, interest shall be calculated on the above-mentioned Nominal Amount as follows:

(a) in the case of a Note which specifies LIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. The Rate of Interest determined for any Interest Period by reference to LIBOR shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Accrual Period for Floating Rate Notes is not negative. Interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.
As used in this Note (and unless otherwise specified in the Final Terms):

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the Issue Date specified in the relevant Final Terms) published by the International Swaps and Derivatives Association, Inc.;

"**LIBOR**" shall be equal to the rate defined as "LIBOR-BBA" in respect of the above-mentioned Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Note including by the ISDA Benchmarks Supplement, as specified in the relevant Final Terms, (the "**ISDA Definitions**")) as at 11.00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period (a "**LIBOR Interest Determination Date**"), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate; and

"**London Banking Day**" shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

If such rate does not appear on that page or if that page is unavailable, the Calculation Agent will:

(i) request the relevant Financial Centre office of each of the four major banks selected by the Issuer in the market that are most closely connected with the Reference Rate (excluding the Calculation Agent) to provide a quotation of the

Reference Rate at approximately the Relevant Time on the LIBOR Interest Determination Date offered to leading 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

(ii) determine the arithmetic mean of such quotations.

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 selected by the Issuer, at approximately 11.00 a.m. (local time in the Relevant Financial Centre) 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 of Interest for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined.

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 of Interest will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period;

(b) in the case of a Note which specifies EURIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EURIBOR and the Margin specified in the Final Terms (if any) above or below EURIBOR. The Rate of Interest determined for any Interest Period by reference to EURIBOR shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Accrual Period for Floating Rate Notes is not negative. Interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Note (and unless otherwise specified in the Final Terms), "**EURIBOR**" shall be equal to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) as at 11.00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET Business Day before the first day of the relevant Interest Period (a "**EURIBOR Interest Determination Date**"), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate;

If such rate does not appear on that page or if that page is unavailable, the Calculation Agent will:

(i) request the Relevant Financial Centre office of each of the four major banks selected by the Issuer in the market that are most closely connected with the Reference Rate (excluding the Calculation Agent) to provide a quotation of the Reference Rate at approximately the Relevant Time on the EURIBOR Interest Determination Date offered to leading 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

(ii) determine the arithmetic mean of such quotations.

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 such financial centre(s) as the Issuer may select), at approximately 11.00 a.m. (Brussels time) 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 of Interest for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined.

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 of Interest will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period;

(c) in the case of a Note which specifies ISDA Determination in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) 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 as specified in the relevant Final Terms.

The Rate of Interest determined for any Interest Period according to ISDA Determination shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Accrual Period for Floating Rate Notes is not negative.

(d) in the case of a Note which specifies EONIA as the Reference Rate in the Final Terms, the Rate of interest will be the aggregate of EONIA and the Margin specified in the Final Terms (if any), determined on each TARGET Business Day during the relevant Interest Period as specified below. The Rate of Interest determined for any Interest Period by reference to EONIA shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Period for Floating Rates Notes is not negative. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified on the actual number of days in such Interest Period and a year of 360 days.

As used in this Global Note (unless otherwise specified in the Final Terms) "**EONIA**", for each day in an Interest Period beginning on, and including, the first day of such Interest Period and ending on, but excluding, the last day of such Interest Period, shall be equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day at 11.00 a.m. (Brussels time) on the TARGET Business Day immediately following such day, (each an "**EONIA Interest Determination Date**"), as if the Reset Date (as defined in the ISDA Definitions) was the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) was the number of months specified in the Final Terms in relation to the Reference Rate

If such rate does not appear on that page or if that page is unavailable, the Calculation Agent will:

(i) request the Relevant Financial Centre office of each of the four major banks selected by the Issuer in the market that are most closely connected with the Reference Rate (excluding the Calculation Agent) to provide a quotation of the Reference Rate at approximately the Relevant Time on the EONIA Interest Determination Date offered to leading 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

(ii) determine the arithmetic mean of such quotations.

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 such financial centre(s) as the Issuer may select), at approximately 11.00 a.m. (Brussels time) 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 of Interest for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined.

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 of Interest will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period;

(e) in the case of a Note which specifies SONIA as the Reference Rate in the Final Terms, the Rate of Interest will, subject as provided below, be Compounded Daily SONIA plus or minus (as specified in the relevant Final Terms) the Margin, all as determined by the Calculation Agent.

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Rate of Interest (the Screen Rate) is to be determined and the Final Terms specify that the Reference Rate is SONIA, the Rate of Interest for each Interest Period will as provided below, be Compounded Daily SONIA, where:

"**Compounded Daily SONIA**" means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling Overnight Index Average (SONIA) as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the SONIA Interest Determination Date (as specified in the Final Terms), as follows, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded up:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SONIA_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Observation Period;

"**$d_0$**" is the number of London Banking Days in the relevant Observation Period;

"**i**" is a series of whole numbers from one to d0, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Observation Period;

"**London Banking Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"$\mathbf{n_i}$", for any London Banking Day "i", means the number of calendar days from and including such London Banking Day "i" up to but excluding the following London Banking Day;

"**Observation Period**" means the period from and including the date falling "p" London Banking Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, in any, on which the Notes become due and payable);

"**p**" means the number of London Banking Days by which an Observation Period precedes an Interest Period, as specified in the applicable Final Terms (or, if no such number is specified, five London Banking Days);

"**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;

the "**SONIA reference rate**", means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (in each case on the London Banking Day immediately following such London Banking Day); and

"$\mathbf{SONIA_i}$" means, in respect of any London Banking Day "i", the SONIA reference rate for that day.

If, in respect of any London Business Day in the relevant Observation Period, the Calculation Agent determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be:

(i) (A) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (B) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or

(ii) if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

(f) the Calculation Agent specified in the Final Terms will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date; 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date; 11.00 a.m. (Brussels time) on each EONIA Interest Determination Date; at the Relevant Time specified in the relevant Final Terms on each SONIA Interest Determinadtion Date; or, in the case of ISDA Determination, at the time and on the Reset Date specified in the relevant Final Terms,

determine the Rate of Interest and calculate the amount of interest payable (the "**Amount of Interest**") for the relevant Interest Period. "**Rate of Interest**" means (A) if the Reference Rate is LIBOR, the rate which is determined in accordance with the provisions of paragraph (a); (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph (b); (C) in the case of a Note which specifies ISDA Determination in the Final Terms, the rate which is determined in accordance with the provisions of paragraph (c); (D) if the Reference Rate is EONIA, the rate which is determined in accordance with the provisions of paragraph (d) and if the Reference Rate is SONIA, the rate which is determined in accordance with the provisions of paragraph (e). The Amount of Interest shall be calculated by applying the Rate of Interest to the above mentioned Nominal Amount, multiplying such product by the Day Count Convention specified in the Final Terms or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;

(g) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall be conclusive and binding as between the Issuer and the bearer hereof;

(h) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an "**Interest Period**" for the purposes of this paragraph; and

(i) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to the bearer of this Note or, if that is not practicable, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*).

(j) If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate (subject to the terms of this paragraph (j)), failing which an Alternative Rate (in accordance with paragraph (j)) and, in either case, an Adjustment Spread if any (in accordance with paragraph (j)) and any Benchmark Amendments (in accordance with paragraph (j)).

An Independent Adviser appointed pursuant to this paragraph (j) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Issue and Paying Agent, or the holders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this paragraph (j).

If (a) the Issuer is unable to appoint an Independent Adviser; or (b) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this paragraph (j) prior to the relevant LIBOR Interest Determination Date, EURIBOR Interest Determination Date, EONIA Interest Determination Date or SONIA Interest Determination Date, as applicable, the Rate of Interest applicable to the next succeeding Interest Period, as applicable, shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period, respectively. For the avoidance of doubt, this paragraph (j) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this paragraph (j).

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in paragraph (j)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Notes (subject to the operation of this paragraph (j)); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in paragraph (j)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Notes (subject to the operation of this paragraph (j)).

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), if any, shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

If any Successor Rate, Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this paragraph (j) and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these terms and conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with paragraph (j), without any requirement for the consent or approval of Holders, vary these terms and conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this paragraph (j), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this paragraph (j) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these terms and conditions.

In connection with any such variation in accordance with this paragraph (j), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this paragraph (j) will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Holders of the same, the Issuer shall deliver to the Issue and Paying Agent, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Issuer:

(i) confirming (a) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this paragraph (j); and

(ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Issue and Paying Agent shall display such certificate at its offices, for inspection by the Holders at all reasonable times during normal business hours.

Each of Issue and Paying Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Issue and Paying Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Issue and Paying Agent, the Calculation Agent, the Paying Agents and the Holders.

Notwithstanding any other provision of this paragraph (j), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this paragraph (j), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

Without prejudice to the obligations of the Issuer under the foregoing paragraphs, the Original Reference Rate and the fallback provisions provided herein will continue to apply unless and until a Benchmark Event has occurred. Upon the occurrence of a Benchmark Event, this paragraph (j) shall prevail.

As used in this paragraph (j):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)

(ii) the Issuer, following consultation with the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied)

(iii) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged)

(iv) if no such spread, formula or methodology can be determined in accordance with (i) to (iii) above, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this subclause (iv) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Holders.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser and acting in good faith and in a commercially

reasonable manner, determines in accordance with paragraph (j) is customary applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to exist or ceasing to be published for a period of at least 5 Business Days in relation to a Rate of Interest of Floating Rate Notes; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for the Issue and Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any holder using the Original Reference Rate;

(vii) provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

(viii) The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Issue and Paying Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Issue and Paying Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under paragraph (j).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof), as applicable, on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which

is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

12. Instructions for payment must be received at the office of the Issuing and Paying Agent referred to above together with this Note as follows:

(a) if this Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;

(b) if this Note is denominated in United States dollars, Canadian dollars or Euro, on or prior to the relevant payment date; and

(c) in all other cases, at least one Business Day prior to the relevant payment date.

As used in this paragraph, "**Business Day**" means:

(i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

(ii) in the case of payments in Euro, a TARGET Business Day; and

(iii) in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency set out in the Final Terms.

13. This Note shall not be validly issued unless manually authenticated by Citibank N.A., London Branch as Issuing and Paying Agent.

14. The status of this Definitive Note, the exercise of the Bail-in Power by the Relevant Resolution Authority, the capacity of the Issuer and the relevant corporate resolutions shall be governed by Spanish law. This Definitive Note and any non-contractual obligations arising out of or connected with it are governed by, and construed in accordance with, English law.

(a) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with this Definitive Note (including a dispute relating to any non-contractual obligations arising out of or in connection with this Definitive Note or a dispute regarding the existence, validity or termination of this Definitive Note or the consequences of its nullity).

(b) *Appropriate forum:* The Issuer 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.

(c) *Rights of the bearer to take proceedings outside England:* Paragraph (a) (*English courts*) is for the benefit of the bearer only. As a result, nothing in this paragraph 14 prevents the bearer from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.

(d) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London NW1 3AN or at any address of the Issuer in Great Britain at which service of process may be served on it. Nothing in this sub paragraph shall affect the right of the bearer to serve process in any other manner permitted by law.

15. If this Note has been admitted to listing on the official list of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") and to trading on the regulated market of Euronext Dublin (and/or has been admitted to listing, trading and/or quotation on any other listing authority, stock exchange and/or quotation system), all notices required to be published concerning this Note shall be published in accordance with the requirements of Euronext Dublin (and/or of the relevant listing authority, stock exchange and/or quotation system).

16. Claims for payment of principal and interest in respect of this Note shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date.

17. **Bail-in**

(a) *Acknowledgement*: Notwithstanding any other term of this Note or any other agreement, arrangement or understanding between the Issuer and the bearer, by its subscription and/or purchase and holding of this Note, each bearer (which for the purposes of this paragraph 17 includes each holder of a beneficial interest in this Note) acknowledges, accepts, consents to and agrees:

(i) to be bound by the effect of the exercise of the Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:

– the reduction of all, or a portion, of the Amounts Due on a permanent basis;

– the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the bearer of this Note of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of this Note, in which case the bearer agrees to accept in lieu of its rights under this Note any such shares, other securities or other obligations of the Issuer or another person;

– the cancellation of this Note or Amounts Due;

– the amendment or alteration of the maturity of this Note or amendment of the Amount of Interest payable on this Note, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(ii) that the terms of this Note are subject to, and may be varied, if necessary, to give effect to, the exercise of the Bail-in Power by the Relevant Resolution Authority.

(b) *Payment of Interest and Other Outstanding Amounts Due:* No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in the Kingdom of Spain and the European Union applicable to the Issuer or other members of the Group.

(c) *Notice to bearer:* Upon the exercise of any Bail-in Power by the Relevant Resolution Authority with respect to this Note, the Issuer will make available a written notice to the bearer as soon as practicable regarding such exercise of the Bail-in Power. The Issuer will also deliver a copy of such notice to the Paying Agents for information purposes.

(d) *Duties of the Paying Agents:* Upon the exercise of any Bail-in Power by the Relevant Resolution Authority, (a) the Issue and Paying Agent shall not be required to take any directions from bearer, and (b) the Agency Agreement shall impose no duties upon the Issue and Paying Agents whatsoever, with respect to the exercise of any Bail-in Power by the Relevant Resolution Authority.

(e) *Proration:* If the Relevant Resolution Authority exercises the Bail-in Power with respect to less than the total Amounts Due, unless any of the Paying Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of this Note pursuant to the Bail-in Power will be made on a pro-rata basis.

(f) *Conditions Exhaustive:* The matters set forth in this paragraph 17 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any holder of an Note.

For the purposes of this paragraph 17:

"**Amounts Due**" means the principal amount or outstanding amount, together with any accrued but unpaid interest, and additional amounts as described in paragraph 3, if any, due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Relevant Resolution Authority.

"**Bail-In Power**": means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the resolution of credit entities and/or transposition of the European Bank Recovery and Resolution Directive (Directive 2014/59/EU), including, but not limited to (i) Law 11/2015; (ii) Royal Decree 1012/2015, of 6 November, implementing Law 11/2015, as amended or superseded; (iii) the SRM Regulation; and (iv) any other instruments, rules or standards made or implemented in connection with either (i), (ii) or (iii), pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period).

**"Relevant Resolution Authority**" means the Fund for Orderly Bank Restructuring (*Fondo de Restructuración Ordenada Bancaria*), the Single Resolution Board or any other entity with the authority to exercise any the resolution tools and powers contained in Law 11/2015 and the SRM Regulation from time to time.

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time.

18. No person shall have any right to enforce any provision of this Note under the Contracts (Rights of Third Parties) Act 1999.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed in respect of each issue of Notes issued under the Programme and will be attached to the relevant Global or Definitive Notes on issue.*

**MIFID II product governance / Professional investors and Eligible Counterparties only target market –** Solely for the purposes of [the/each] manufacturer's product approval process in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time** (the "**SFA**") – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes to be [capital markets products other than] prescribed capital markets products (as defined in the CMP Regulations 2018) and [Excluded]/ [Specified] Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][3]

**Final Terms dated [•]**

**Banco Santander, S.A.**

**€15,000,000,000 Euro-Commercial Paper Programme (the "Programme")**

**Legal entity identifier (LEI): 5493006QMFDDMYWIAM13**

**Issue of [*Aggregate nominal amount of Notes*] [*Title of Notes*]**

**PART A – CONTRACTUAL TERMS**

This document constitutes the Final Terms (as referred to in the Information Memorandum dated 16 April 2020 (as amended, updated or supplemented from time to time, the "**Information Memorandum**") in relation to the Programme) in relation to the issue of Notes referred to above (the "**Notes**"). Terms defined in the Information Memorandum, unless indicated to the contrary, have the same meanings where used in these Final Terms. Reference is made to the Information Memorandum for a description of Banco Santander, S.A., the Programme and certain other matters. These Final Terms are supplemented to and must be read in conjunction with the full terms and conditions of the Notes. These Final Terms are also a summary of the terms and conditions of the Notes for the purpose of listing.

Full information on Banco Santander, S.A. and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Information Memorandum [as so supplemented]. The Information Memorandum [and the supplemental Information Memorandum] [is][are] available for viewing during normal business hours at the office of Banco Santander, S.A. at Ciudad Grupo Santander, Avenida Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain and at the offices of the Issuing and Paying Agent at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. The Information Memorandum has been published on the websites of the Issuer (www.santander.com) and of Euronext Dublin (www.ise.ie).

The particulars to be specified in relation to the issue of the Notes are as follows:

---

[3] Legend to be included on front of the Final Terms if the Notes do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

[*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.*]

| | | |
|---|---|---|
| 1. | Issuer: | Banco Santander S.A. |
| 2. | Type of Note: | Euro commercial paper |
| 3. | Series No: | [ ] |
| 4. | Dealer(s) | [ ] |
| 5. | Specified Currency: | [ ] |
| 6. | Aggregate Nominal Amount: | [ ] |
| 7. | Issue Date: | [ ] |
| 8. | Maturity Date: | [ ] [May not be less than 1 day nor more than 364 days] |
| 9. | Issue Price (for interest bearing Notes) or discount rate (for discount Notes): | [ ] |
| 10. | Denomination: | [ ] |
| 11. | Redemption Amount: | Redemption at par |
| 12. | Delivery: | [Free of/against] payment |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 13. | **Fixed Rate Note Provisions** | | [Applicable/Not applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Rate[(s)] of Interest: | [ ] [per cent. per annum] |
| | (ii) | Interest Payment Date(s): | [ ] |
| | (iii) | Day Count Convention (if different from that specified in the terms and conditions of the Notes): | [Not applicable/*other*]<br><br>[The above-mentioned Day Count Convention shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced at the Issue Date.][4] |
| | (iv) | Other terms relating to the method of calculating interest for Fixed Rate Notes (if different from those specified in the terms and conditions of the Notes): | [Not applicable/*give details*] |
| 14. | **Floating Rate Note Provisions** | | [Applicable/Not applicable] |

[4] Delete text in square brackets unless a Day Count Convention which is different from that specified in the terms and conditions of the Notes is used.

| | | |
|---|---|---|
| | | (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Interest Payment Dates: | [ ] |
| (ii) | Calculation Agent (party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): | [[the Issuing and Paying Agent]/[*Name*] shall be the Calculation Agent] |
| (iii) | Reference Rate: | [ ] months [LIBOR/EURIBOR/SONIA] [Not applicable] |
| (iv) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| (v) | Screen Rate Determination: | |
| | • Reference Rate: | [SONIA] |
| | • SONIA Interest Determination Date(s): | [ ]/[ ] London Banking Days prior to the end of each Interest Period] |
| | • "p": | [ ] |
| | • Relevant Screen Page: | [ ] |
| | • Relevant Time: | [ ] |
| (vi) | ISDA Determination: | [Not applicable] |
| | • Floating Rate Option: | [ ] |
| | • Designated Maturity: | [ ] |
| | • Reset Date and time: | [ ] [Not applicable] [*in the case of self-compounding overnight interest rate commercial paper, the Reset Date will be the date prior to each Interest Payment Date*]º |
| | • [ISDA Benchmarks Supplement: | [Applicable/Not Applicable]] |
| (vii) | Margin(s): | [+/-][ ] per cent. per annum |
| (viii) | Day Count Convention if different from that specified in the terms and conditions of the Notes: | [Not applicable/*other*]<br><br>[The above-mentioned Day Count Convention shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced at the Issue Date.][5] |

[5] Delete text in square brackets unless a Day Count Convention which is different from that specified in the terms and conditions of the Notes is used.

| | | |
|---|---|---|
| (ix) | Any other terms relating to the method of calculating interest on floating rate Notes, if different from those set out in the terms and conditions of the Notes: | [ ] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 15. | Relevant Financial Centre | [*Specify*/the Financial Centre in Section 1.5 of the ISDA Definitions for the Specified Currency] |
| 16. | Listing and admission to trading: | [Dublin (Euronext Dublin). Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of Euronext Dublin with effect from [ ].][other] |
| 17. | Ratings: | [The Notes to be issued under the Programme have been rated:]<br><br>[Standard & Poor's: [ ]]<br><br>[Fitch Ratings: [ ]]<br><br>[Moody's Investors Service España, S.A.: [ ]]<br><br>[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*.]<br><br>[Not Applicable] |
| 18. | Clearing System(s): | Euroclear Bank SA/NV [,/and] Clearstream Banking S.A. |
| 19. | Issuing and Paying Agent: | Citibank N.A., London Branch |
| 20. | Listing Agent: | [[A&L Listing Limited]/[Not applicable]/[*Give name*]] |
| 21. | ISIN: | [ ] |
| 22. | Common code: | [ ] |
| 23. | Any clearing system(s) other than or in addition to Euroclear Bank SA/NV, Clearstream Banking S.A and the relevant identification number(s): | [Not applicable/*give name(s) and number(s)*] |
| 24. | New Global Note: | [Yes][No] |
| 25. | Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes.][No.][Not applicable.]<br><br>[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem |

| | |
|---|---|
| | eligibility criteria have been met.][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]<br><br>[Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]].] [*Include this text if "No" selected in which case the Notes must be issued in CGN form*]] |
| 26. Relevant Benchmark[s]: | [[*Specify benchmark*] is provided by [*administrator legal name*]][*repeat as necessary*]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation]/ [Not Applicable] |

**LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €15,000,000,000 Euro-Commercial Paper Programme of Banco Santander, S.A.

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of **BANCO SANTANDER, S.A.**

*By: .....*
*(duly authorised)*
Dated:]

*By: .....*
*(duly authorised)*

## PART B – OTHER INFORMATION

**1. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

*Need to include a description of any interest, including a conflict of interest, 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 1 of "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

**2. ESTIMATED TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING**

Estimated total expenses: [ ]

**3.** [*Fixed Rate Notes only* - **YIELD**

Indication of yield: [ ]]

**4.** [*Floating Rate Notes only* – **HISTORIC INTEREST RATES**

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

**5.** *[Additional Selling Restriction for placements of Notes in Japan*- **JAPAN**

*[In the case where the Japanese offerees are limited to Qualified Institutional Investors only, and therefore the Issuer relies upon the Qualified Institutional Investor private placement exemption (the Issuer must appoint its attorney in Japan):*

[The Notes have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") in reliance upon the exemption from the registration requirements since the offering constitutes the private placement to qualified institutional investors only.

A transferor of the Notes shall not transfer or resell them except where a transferee is a qualified institutional investor under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the Financial Instruments and Exchange Act of Japan (the Ministry of Finance Ordinance No. 14 of 1993, as amended).]]

*[In the case where the Japanese offerees are fewer than 50, and therefore the Issuer relies upon the small number private placement exemption:*

[The Notes have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement.

A transferor of the Notes shall not transfer or resell the Notes except where the transferor transfers or resells all the Notes en bloc to one transferee.]]

*[Replace second paragraph above with the following if, in addition to fewer than 50 offerees, the numbers of the notes to be sold in Japan is fewer than 50:*

[The Note is not permitted to be divided into any unit less than the minimum denomination.]]

## REGULATION

*The following is a summary of the most relevant aspects of the regulatory framework applicable to the Santander Group, as well as the main factors that have directly or indirectly affected or are currently affecting its operations in a significant way.*

*In addition, see "Risk Factors", which includes the specific and significant factors that the Group believes could significantly affect its operations.*

### *MiFID II/MiFIR*

On 3 January 2018, the regulatory framework for markets and financial instruments saw the implementation of MiFID II and Regulation (EU) 600/2014 of the European Parliament and of the Council of 15 May 2014 ("**MiFIR**"). The MiFID II/MiFIR framework introduces a substantial number of regulations, basically intended to strengthen the system with stricter requirements for transparency and protection of investment service clients.

The transposition of MiFID II into Spanish law was completed in 2018 by Royal Decree Law 14/2018 of 28 September 2018 and Royal Decree 1464/2018 of 21 December 2018, although the provisions of the latter entered into force in April 2019. In this regard, the Bank has completed its adaptation to the investment service regulations of the transposed MiFID II.

In addition, the Bank has adapted to the regulatory framework of information transparency of banking services, especially in relation to real estate credit and Directive 2015/849 on the prevention of money laundering and the financing of terrorism and its most recent implementing regulations, which were established by Royal Legislative Decree 11/2018 of 31 August 2018.

The Group must also continue to adapt to the framework resulting from the transposition of Directive 2017/828 as regards the encouragement of long-term shareholder engagement and to the fifth EU Directive 2018/43 on the prevention of money laundering and terrorist financing although, in both cases, their transposition into Spanish law is still pending.

### *Capital, liquidity and funding requirements*

As a Spanish financial institution, the Bank is subject to the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("**CRR**") and the Capital Requirements Directive (Directive 2013/36/EU) ("**CRD IV**"), through which the EU began implementing the Basel III capital reforms from 1 January 2014. While the CRD IV required national transposition, the CRR was directly applicable in all the EU member states. This regulation is complemented by several binding technical standards and guidelines issued by the European Banking Authority ("**EBA**"), directly applicable in all EU member states, without the need for national implementation measures either. The implementation of the CRD IV into Spanish law has taken place through Royal Decree Law 14/2013 and Law 10/2014, Royal Decree 84/2015, Bank of Spain Circular 2/2014 and Bank of Spain Circular 2/2016.

Credit institutions, such as the Bank, are required, on a standalone and consolidated basis, to hold a minimum amount of regulatory capital of 8 per cent. of risk weighted assets (of which at least 4.5 per cent. must be CET1 capital and at least 6 per cent. must be Tier 1 capital). In addition to the minimum regulatory capital requirements, the CRD IV also introduced five new capital buffer requirements that must be met with CET1 capital: (1) the capital conservation buffer for unexpected losses, requiring additional CET1 of 2.5 per cent. of total risk weighted assets; (2) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may require as much as additional CET1 capital of 2.5 per cent. of total risk weighted assets or higher pursuant to the requirements set by the competent authority; (3) the G-SIIs buffer requiring additional CET1 of between 1 per cent. and 3.5 per cent. of risk weighted assets; (4) the other systemically important institutions buffer, which may be as much as 2 per cent. of risk weighted assets; and (5) the CET1 systemic risk buffer to prevent systemic or macro prudential risks of at least 1 per cent. of risk weighted assets (to be set by the competent authority). Entities are required to comply with the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the

systemic risk buffer, the G-SIIs buffer and the other systemically important institutions ("**O-SII**") buffer, in each case as applicable to the institution).

As of the date of this Information Memorandum, the Bank is required to maintain a capital conservation buffer of additional CET1 capital of 2.5 per cent. of risk weighted assets, a G-SII buffer of additional CET1 capital of 1 per cent. of risk weighted assets and a counter-cyclical capital buffer of additional CET1 capital of 0.2 per cent. of risk weighted assets.

Article 104 of the CRD IV, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of MREL, also contemplate that in addition to the minimum Pillar 1 capital requirements and any applicable capital buffer, supervisory authorities may impose further Pillar 2 capital requirements to cover other risks, including those risks incurred by the individual institutions due to their activities not considered to be fully captured by the minimum capital requirements under the CRD IV and CRR. This may result in the imposition of additional capital requirements on the Bank and/or the Group pursuant to this Pillar 2 framework.

The ECB clarified in its "Frequently asked questions on the 2016 EU-wide stress test" (July 2016) that the institutions specific Pillar 2 capital will consist of two parts: Pillar 2 requirement and Pillar 2 guidance. Pillar 2 requirements are binding and breaches can have direct legal consequences for banks, while Pillar 2 guidance is not directly binding and a failure to meet Pillar 2 guidance does not automatically trigger legal action, even though the ECB expects banks to meet Pillar 2 guidance. Following this clarification and the ones contained in the "EBA Pillar 2 Roadmap" (April 2017) and the EU Banking Reforms, the Pillar 2 guidance is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the Maximum Distributable Amount but, in addition to certain other measures, competent authorities will be entitled to impose further Pillar 2 capital requirements where an institution repeatedly fails to follow the Pillar 2 capital guidance previously imposed.

In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of its SREP. Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional Pillar 2 capital requirements implemented on 1 January 2016. Under these guidelines (and until CRDV (as defined below) is implemented in Spain), national supervisors must set a composition requirement for the Pillar 2 additional capital requirements to cover certain specified risks of at least 56 per cent. CET1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional capital 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 Pillar 1 capital requirement and to the additional Pillar 2 capital requirement. Therefore capital buffers would be the first layer of capital to be eroded pursuant to the applicable stacking order, as set out in the "Opinion of the EBA on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16 December 2015. In this regard, under Article 141 of the CRD IV, Member States of the EU must require that an institution that fails to meet the "combined buffer requirement" or the Pillar 2 capital requirements described above, will be prohibited from paying any "discretionary payments" (which are defined broadly by the CRD IV as payments relating to CET1, variable remuneration and payments on Additional Tier 1 capital instruments), until it calculates its applicable restrictions and communicates them to the regulator and, once completed, such institution will be subject to restricted "discretionary payments". The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. Articles 43 to 49 of Law 10/2014 and Chapter II of Title II of Royal Decree 84/2015 implement the above provisions in Spain. In particular, Article 48 of Law 10/2014 and Articles 73 and 74 of Royal Decree 84/2014 deal with restrictions on distributions. Furthermore, pursuant to the EU Banking Reforms (as defined below), the calculation of the Maximum Distributable Amount, as well as consequences of, and pending, such calculation could also take place as a result of the breach of MREL and a breach of the minimum leverage ratio buffer requirement.

In addition to the above, the CRR also includes a requirement for institutions to calculate a leverage ratio ("**LR**"), report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their LR in accordance with

the methodology laid down in that article. In January 2014, the Basel Committee finalised a definition of how the LR should be prepared and set an indicative benchmark (namely 3 per cent. of Tier 1 capital). Such 3 per cent. Tier 1 LR has been tested during a monitoring period until the end of 2017 although the Basel Committee had already proposed the final calibration at 3 per cent. Tier 1 LR. Accordingly, the CRR (as amended by the EU Banking Reforms) contains a binding 3 per cent. Tier 1 LR requirement, and which institutions must meet in addition and separately to their risk-based requirements from June 2021 onwards. Moreover, the EU Banking Reforms include a leverage ratio buffer for G-SIIs to be met with Tier 1 capital and set at 50 per cent. of the applicable risk weighted G-SIIs buffer. Any breach of this leverage ratio buffer would also result in a requirement to determine the Maximum Distributable Amount and restrict discretionary payments to such Maximum Distributable Amount, as well as the consequences of such calculation as specified above.

On 9 November 2015, the FSB published its final principles and term sheet containing an international standard to enhance the loss absorbing capacity of G-SIIs such as the Bank. The final standard consists of an elaboration of the principles on loss absorbing and recapitalisation capacity of G-SIIs 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-SIIs. Once implemented in the relevant jurisdictions, these principles and terms will form a new minimum TLAC standard for G-SIIs, and in the case of G-SIIs with more than one resolution group, each resolution group within the G-SII. The FSB did a review of the technical implementation of the TLAC principles and term sheet in June 2019. The TLAC principles and term sheet established a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16 per cent. of risk weighted assets as of 1 January 2019 and 18 per cent. as of 1 January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposure measure as of 1 January 2019, and 6.75 per cent. as of 1 January 2022. Under the FSB TLAC standard, capital buffers stack on top of the 16 per cent. risk weighted assets TLAC requirement.

Furthermore, Article 45 of the European Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("**BRRD**") provides that Member States shall ensure that institutions meet, at all times, the MREL. The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The EBA was in charge of drafting regulatory technical standards on the criteria for determining MREL (the "**MREL RTS**"). On 3 July 2015 the EBA published the final draft MREL RTS. In application of Article 45(2) of the BRRD, the current version of the MREL RTS is set out in a Commission Delegated Regulation (EU) No. 2016/1450 that was adopted by the Commission on 23 May 2016 (the "**MREL Delegated Regulation**").

The MREL requirement was scheduled to come into force by January 2016. However, article 8 of the MREL Delegated Regulation gave discretion to resolution authorities to determine appropriate transitional periods to each institution.

The European Commission committed to review the existing MREL rules with a view to provide full consistency with the TLAC standard by considering the findings of a report that the EBA was required to provide to the European Commission under Article 45(19) of the BRRD. On 14 December 2016, the EBA published its final report on the implementation and design of the MREL framework where it stated that, although there was no need to change the key principles underlying the MREL Delegated Regulation, certain changes would be necessary with a view to improve the technical soundness of the MREL framework and implement the TLAC standard as an integral component of the MREL framework. On 16 January 2019, the SRB published its policy statement on MREL for the second wave of resolution plans of the 2018 cycle, which will serve as a basis for setting binding MREL targets.

***Loss absorbing powers by the Relevant Resolution Authority***

The BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015) is designed to provide authorities with tools to intervene sufficiently early and quickly in unsound or failing institutions 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.

See "*Risk Factors – Risks relating to the Notes – The taking of any action under Law 11/2015, which partially implements BRRD, and/or the SRM Regulation could materially affect the value of any Notes*" for additional information.

***EU Banking Reforms***

On 23 November 2016, the European Commission published, among others, a proposal for a European Regulation amending CRR, two European Directives amending the CRD IV and the BRRD and a proposal for a European Regulation amending Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a SRM and a SRF and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation**"). On 27 June 2019, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("**CRD V**"); Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("**BRRD II**"); Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 648/2012 ("**CRR II**"); and Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**SRMR II**", and, together with CRD V, BRRD II and CRR II, the "**EU Banking Reforms**") entered into force. However, most of the provisions of CRR II are not applicable until 28 June 2021 and SRMR II is not applicable until 28 December 2020. The deadline for transposing into local laws both CRD V and BRRD II is 18 months since their entry into force. Until CRD V and BRRD II are transposed into Spanish law, it is uncertain how they will affect the Bank or the investors. In addition, there is also uncertainty as to how CRD V, BRRD II, CRR II and SRMR II will be implemented by the relevant authorities.

The EU Banking Reforms cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above.

Additionally, with regard to the European Commission's proposal to create a new asset class of "non-preferred" senior debt, on 27 December 2017, Directive 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the European Union which sets forth a harmonised national insolvency ranking of unsecured debt instruments to facilitate the issuance by credit institutions of senior "non-preferred" instruments. Before that, Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters ("**RDL 11/2017**") created in Spain the new asset class of senior-non preferred debt.

One of the main objectives of the EU Banking Reforms is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules (the "**TLAC/MREL Requirements**") thereby avoiding duplication from the application of two parallel requirements. As mentioned above, although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. The EU Banking Reforms integrate the TLAC standard into the existing MREL rules and to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be partially institution-specific and determined by the resolution authority. Under the EU Banking Reforms, institutions such as the Bank would continue to be subject to an institution-specific MREL requirement, which may be higher than the Pillar 1 TLAC/MREL Requirements for G-SIIs contained in the EU Banking Reforms.

Although the specific MREL requirements may vary depending on the specific characteristics of the credit entity (its application falls on resolution institution or resolution group, being entities subject to resolution following a Single Point of Entry or Multiple Point of Entry resolution strategy) and the resolution process, BRRD II together with CRR II introduce a relevant change for complying with MREL which now includes two different ratios (i) a risk ratio (percentage of total risk weighted assets of the resolution entity) and (ii) a non-risk ratio (percentage of the resolution entity's total exposure), as well as empower the relevant resolution authority to authorise or require (a) complying with

additional CET1, Additional Tier 1 or Tier 2 capital ratios (which was not foreseen in the previous MREL rules) and (b) that certain level of senior liabilities issued by the resolution entity can be subject to Bail-in.

MREL application is also subject to a diferent regime depending on the nature of the entity based on its resource volume and systemic profile. Thus, the MREL requirements are different for G-SIIs, "top tier" entities (which are not G-SIIs with aggregated asset volume of over €100 billion), O-SIIs (which are institutions that, due to their systemic importance, are more likely to create risks to financial stability) and the rest of the resolution institutions. In particular, G-SIIs, "top tier" banks and O-SIIs are subject to Pillar 1 requirements: 18 per cent. (including the combined buffer requirements under CRD IV), and 13 per cent. of risk weighted assets and 6.75 per cent. and 5 per cent. of leverage exposure, respectively for G-SIIs and "top tier" banks and O-SIIs. These requirements are complemented by further Pillar 2 requirements, which would be determined on a case-by-case basis for the rest of the resolution institutions.

The EU Banking Reforms have introduced limited adjustments to the existing MREL rules ensuring technical consistency with the structure of any requirements for G-SIIs. Implementation of the TLAC/MREL Requirements will be phased-in from 1 January 2019 (a 16 per cent. minimum TLAC requirement) to 1 January 2022 (a 18 per cent. minimum TLAC requirement).

The EU Banking Reforms provide that a bank's failure to comply with its TLAC/MREL Requirements should be addressed by the relevant authorities on the basis of their powers to address or remove impediments to resolution, the exercise of their supervisory powers and their power to impose early intervention measures, administrative penalties and other administrative measures. If there is any shortfall in an institution's level of eligible liabilities and own funds, and the own funds of such institution are otherwise contributing to the "combined buffer requirement", those own funds will automatically be used instead to meet that institution's MREL requirement and will no longer count towards its "combined buffer requirement", which may lead the institution to fail to meet its "combined buffer requirement". Failure to meet the "combined buffer requirements" when consider in addition to the TLAC/MREL Requirements would require such institution to calculate its Maximum Distributable Amount, and the relevant resolution authority shall impose (but subject to a potential 9 months grace period) restrictions to make (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to Additional Tier 1 instruments ("**Discretionary Payments**") above the Maximum Distributable Amount. As a result of the above, upon the entry into force of the EU Banking Reforms, the Bank must fully comply with its "combined buffer requirement" in addition to its TLAC/MREL Requirements in order to make sure that it is able to make Discretionary Payments.

The Bank announced on 28 November 2019 that it had received formal notification from the Bank of Spain of its binding minimum TLAC/MREL Requirements, both total and subordinated, for the resolution group of Banco Santander at a sub-consolidated level, as determined by the SRB. The total MREL requirement has been set at 16.81 per cent. of the resolution group's total liabilities and own funds, which as a reference of the resolution group's risk weighted assets at 31 December 2017 would be 28.60 per cent. and is equivalent to an amount at 31 December 2017 of €108,631.8 million. The subordination requirement has been set at 11.48 per cent. of the resolution group's total liabilities and own funds, which as a reference of this resolution group's risk weighted assets at 31 December 2017 would be 19.53 per cent. and is equivalent to an amount at 31 December 2017 of €74,187.57 million. These requirements apply since 1 January 2020. According to the Bank's estimates, the resolution group complies with this total MREL requirement and the subordination requirement. Future requirements are subject to ongoing review by the resolution authority.

Additionally, the Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee.

On 7 December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision ("**GHOS**") published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment ("**CVA**") risks, introduces a floor to the consumption of capital by internal ratings-based methods ("**IRB**") and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations to its use

for portfolios with low levels of non-compliance; (iii) regarding the CVA risk, and in connection with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches (AMA); (v) the introduction of a leverage ratio buffer for G-SIIs; and (vi) regarding capital consumption, it establishes a minimum limit on the aggregate results (output floor), which prevents the risk weighted assets of the banks generated by internal models from being lower than the 72.5 per cent. of the risk weighted assets that are calculated with the standard methods of the Basel III framework. In August 2019 the EBA advised the European Commission on the introduction of the output floor and concluded that the revised framework should be implemented by using the floored risk weighted assets as a basis for all the capital layers, including the systemic risk buffer and the Pillar 2 capital requirement.

The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks.

***Deposit Guarantee Fund ("DGF") and Single Resolution Fund ("SRF")***

The Group belongs to the DGF, which is aimed at guaranteeing the return of guaranteed deposits when the depository institution has been declared bankrupt (*concurso de acreedores*) or when deposits are not returned, provided an agreement has not been reached to commence a resolution process of the institution up to the limit contemplated in Royal Decree-Law 16/2011, of 14 October 2011, creating the Deposit Guarantee Fund for Credit Institutions. The standard annual contribution to be made by institutions to the fund is determined by the DGF Management Committee, pursuant to the provisions of Bank of Spain Circular 5/2016 of 27 May on the calculation method to ensure that the contributions by member institutions of the Deposit Guarantee Fund are proportional to their risk profile, as amended by Circular 1/2018 of 31 January 2018.

In addition, in March 2014, the European Parliament and the Council reached a political agreement on the creation of the second pillar of the banking union, the Single Resolution Mechanism ("**SRM**"). The main objective of the SRM is to ensure that all possible bankruptcies that occur in the future in the banking union are managed efficiently, at a minimum cost to taxpayers and the actual economy. The SRM's scope of activity is identical to that of the SSM, being a central authority.

The regulations governing the banking union are aimed at ensuring that the banks and their shareholders (primarily) and, if required, the bank's creditors (partly), are those that finance resolutions. Nevertheless, another source of finance must also be available, if the contributions by shareholders and bank creditors are insufficient. This is the Single Resolution Fund ("**SRF**"), administered by the Single Resolution Board ("**SRB**"), which is the ultimate entity responsible for deciding whether or not the resolution of the bank should be initiated, while the operating decisions are made in conjunction with the national resolution authorities. The regulations establish that banks must contribute to the SRF for eight years.

The SRB calculates the contributions to be made by each entity to the SRF, in accordance with the provisions of Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 July 2014. The calculation is based on:

(a) contributions that are calculated in proportion to the individual entity's liabilities, excluding net worth and guaranteed deposits, with respect to the total liabilities minus net worth and guaranteed deposits of all the authorised entities in the participating Member States («annual base contribution»); and

(b) contributions that are calculated according the entity's risk profile («risk-adjusted contribution»).

The expense accounted for in financial years 2019 and 2018 for contributions by the Bank to the Deposit Guarantee Fund and the SRF amounted to €911 million and €895 million, respectively.

***Non-performing exposures***

On 15 March 2018, the ECB published its supervisory expectations on prudent levels of provision for non-performing loans ("**NPLs**"). The document was published as a subsequent addendum (the "**Addendum**") to the ECB's guidance on non-performing loans for credit institutions of 20 March 2017, which clarified the ECB's supervisory expectations with regard to the identification,

measurement, management and write-off of NPLs. The ECB states that the Addendum sets out what it considers to be prudential provisioning of non-performing exposures, in order to avoid an excessive build-up of non-covered aged NPLs on banks' balance sheets in the future, which would require specific supervisory measures.

In this respect, the ECB states that it will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually and will link the supervisory expectations in this Addendum to new NPLs classified as such from 1 April 2018 onwards. In addition, banks will therefore be asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, as from early 2021. This could ultimately result in the ECB requiring banks to apply specific adjustments to their net worth calculations when the accounting treatment applied by the bank is not considered prudent from a supervisory perspective which, in turn, could have an impact on the banks' capital position.

***New rules on real estate loans***

Law 5/2019 of 15 March 2019 regulating real estate credit agreements and Royal Decree 309/2019 of 26 April 2019 ("**Real Estate Credit Regulations**") implemented Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014, with the aim of strengthening the legal protection, transparency and prudential regime of real estate credit agreements.

In short, the protection regime of the Real Estate Credit Regulations extends to all natural persons, regardless of whether they are consumers or not, in conjunction with the current regulations on transparency in mortgage credit established by Order EHA/2899/2011, of 28 October, on the transparency and protection of customer banking services and Bank of Spain Circular 5/2012 and related regulations, in three areas: (i) establishment of rules of transparency and conduct that impose obligations upon lenders and credit intermediaries, as well as upon their appointed representatives; (ii) establishment of the legal regime governing real estate credit intermediaries and real estate lenders; and (iii) establishment of the penalty regime applicable in the event of a breach of the obligations contained therein.

The protection regime of the Real Estate Credit Regulations exceeds the level of protection established by Directive 2014/47/EU and has a direct impact on the granting and intermediation of real estate credit, imposing additional operating requirements that must be fulfilled by lenders (mainly to produce documents, such as the European Standardised Information Sheet, considered a binding offer during the agreed term until the signing of the agreement with at least 10 days' notice, the Standardised Warning Sheet, which contains relevant clauses or elements, the Separate Document (*Documento Separado*) and a copy of the draft agreement with a breakdown of all the costs), protective measures (limitation of default interest, in-depth assessment of the borrower's capacity, definition of financial concepts, determining of the regime governing related practices and cross-practices, accuracy of the content of the basic information that must appear in advertising materials) and the redistribution of the financial costs between lender and borrower (including the payment of stamp duty (*Actos Jurídicos Documentados*) by the lender, the cost of the property valuation and payment of the copies of the deed requested by the borrower).

The foreclosure regime is regulated by Article 24, which establishes the cumulative requirements for foreclosure:

(viii) Absolute Requirement – refers to the borrower's default on payment of part of the loan principal or interest;

(ix) Quantitative requirement – taking into account the life of the loan (first or second half of the repayment period) the amount of instalments due and not paid shall be (i) in the first half of the loan (a) 3 per cent. of the principal granted or (b) 12 instalments (or the equivalent amount); or (ii) in the second half of the loan (a) 7 per cent. or (b) 15 instalments (or the equivalent amount);

(x) Subjective requirement – the lender has claimed payment from the borrower, granting the borrower at least one month to comply and stating that if the borrower fails to comply, the lender will demand full repayment of the outstanding amount of the loan.

This mandatory regime differs from the regime established by the Spanish Law of Civil Procedure ("*Ley de Enjuiciamiento Civil*") (the "**Law of Civil Procedure**"), which required default of at least

three monthly instalments to enable early termination of the loan by the lender, although this requirement has been extensively qualified by a number of court judgments, until the entry into force of Law 5/2019 on 16 June 2019. The Supreme Court ruling of 11 September 2019 on the effects of the annulment of an early maturity clause in mortgage loans clarified the regime, stating that (a) the annulment of a certain early maturity clause of a mortgage loan agreement does not imply the automatic annulment of the agreement; and (b) the early maturity clause annulled is replaced by Article 24 (which is mandatory).

In addition to the above, a limit on default interest is established in Article 25, which is also mandatory, as the interest of the loan plus three percentage points during the term of repayment of the loan and accrued only on the principal due and payable, without the possibility of capitalization (except in the case of Article 579.2.a) of the Law of Civil Procedure). This mandatory regime thus differs from the previous regime, in which there was margin of choice, subject to a maximum limit (mainly determined by case law and ranging from 2 points above the loan interest rate to 2.5 times the statutory interest rate).

Furthermore, the Supreme Court judgment of 11 September 2019 on the effects of the annulment of early maturity clauses in mortgage loans amended the conditions of early maturity, stating that (a) the annulment of a certain early maturity clause in a mortgage loan does not imply the automatic annulment of the loan agreement; (b) alternatively, the early maturity clause annulled must be replaced by Article 24 of Law 5/2019 (mandatory), which imposes minimum terms that must be respected by the lending institution for foreclosure of the mortgage, referenced to percentages of the capital (3 per cent. and 7 per cent.).

***Financial Transactions Tax***

The draft Bill of the law to set up a financial transactions tax ("**Financial Transactions Tax**") in Spain (which was published in the Official Gazette of the Spanish Parliament/121/000002 on 28 February 2020) envisages imposing an indirect tax on the acquisition of shares in Spanish companies that are admitted to trading on a Spanish market, or that of another European Union State subject to regulation pursuant to the MiFID II or on a market considered as equivalent by such Directive in a third country (as well as on purchases for consideration of negotiable securities constituted by certificates of deposit representing such shares) with a market capitalisation value greater than €1,000 million.

The taxable base, as a general rule, is comprised of the amount of consideration of the taxable transaction, excluding certain transaction costs (arising from market infrastructure prices, brokerage commissions and other associated expenses) and the tax is accrued on the date the transaction is performed (at a trading venue) or against a registry entry (for transactions that do not take place at a trading venue). When the acquisition of shares is the result of the execution or settlement of convertible bonds or debentures, the calculation of the taxable base is subject to special rules. The rate applicable to the taxable base would be a fixed rate of 0.2 per cent.

The main purpose of the tax is to contribute to funding the growing structural imbalance of the pension system, through an expected revenue of approximately €850 million per year.

The taxpayer is the purchaser of the securities. However, the taxable person (regardless of the location of the establishment) is the financial intermediary that transmits or executes the acquisition order, either when acting on its own behalf (credit institution or investment services firm) or on behalf of third parties. In the former case, it will be liable for the tax in its capacity as the taxpayer; and in the latter, the person liable as the substitute of the taxpayer will be:

- the member of the market executing the acquisition, if the transaction takes place at a trading venue;
- the systematic internaliser, if the acquisition takes place within the scope of its activity (outside a trading venue);
- the financial intermediary receiving the order from the purchaser or that makes delivery by virtue of the execution or settlement of a financial instrument/contract, if the acquisition does not involve either a trading venue or systematic internaliser; and
- the institution providing the securities depository service on behalf of the purchaser, if the acquisition does not involve a trading venue or any of the persons or entities referred to above.

The entry into force of the Financial Transactions Tax is within three months of its publication in the Official State Gazette and, if the Bill of Law on the Financial Transactions Tax is confirmed and passed by the Spanish Parliament, it could potentially have a major impact on credit institutions and investment service companies in scenarios in which they acquire assets on their own account or on behalf of third parties (as a financial intermediary). On the other hand, the divergence of the implementation of this regime in the European Union is seen as likely to create disadvantageous regimes, depending on the final characteristics of the Financial Transactions Tax, which will have an impact on both market operations (e.g. relocation of trading venues affected, decrease in liquidity) and on the very dynamics of the financial instruments affected (e.g. replacement by non-taxed financial instruments).

***PSD2***

Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market (the "**PSD2 Directive**") has been fully transposed into Spanish law, which took place after the deadline for PSD2 transposition (13 January 2018); notwithstanding the additional transitional period until 31 December 2020 in relation to the requirements on security measures (mainly due to their potential negative impact on electronic commerce)) by means of Royal Decree-Law 19/2018 of 23 November 2018 on payment services and other urgent measures in financial matters, Royal Decree 736/2019 of 20 December 2019 on the legal regime for payment services and payment institutions and Order ECE/1263/2019 of 26 December 2019 on transparency of conditions and information requirements applicable to payment services. The PSD2 Directive essentially regulates (a) transparency conditions and (b) the rights and obligations in contracts between payment service providers and users, applying its regime to the objective scope of payment services provided by credit institutions, payment service entities and electronic money institutions. In addition, it provides for a set of precautionary measures (prohibition of surcharges for the use of payment instruments at commercial establishments or online, unconditional right to the return for direct debits in euros, reduction of liability for unauthorised payments), security requirements (protection of consumer financial data and enhanced security requirements for electronic payments).

In particular, the new payment services introduced by PSD2 feature the services of (a) payment initiation; and (b) account information. Both services involve access by third parties (suppliers to third parties) to payment service users' accounts held with credit institutions. This means the opening up of the payment market to these new competitors ("third-party providers"), who can operate directly through the payment service user's account at their credit institution, without having to open an account themselves to operate. This PSD2 Directive regime and the operational and technological efforts made to adapt it, together with the introduction of the so-called "open banking", will have a substantial impact on the business model for payment services offered by credit institutions, by allowing third parties not related to credit institutions to access their infrastructure, for the purposes of obtaining account information and initiating payment services with bank customers/potential new users of third-party payment services, subject to specific limitations under Articles 66, 67 et seq. In essence, this leads to an increase in the regulatory cost of adaptation of credit institutions, a strengthening of their technological systems for operational and integration purposes and an intensification of competition in the payment services sector, represented mainly by non-credit institution providers subject to a less onerous regulatory regime or, directly, not subject to a prudential supervision regime.

***New accounting framework***

The Bank of Spain Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting rules and standard financial statements ("**Circular 4/2017**"), which repealed the former Bank of Spain Circular 4/2004 of 22 December 2004, after successive amendments, adapts the accounting system of Spanish credit institutions to the changes resulting from the adoption of International Financial Reporting Standards (IFRS) - IFRS 9 and IFRS 15, applicable as from 1 January 2018, in relation to the accounting criteria applicable to financial instruments and ordinary revenue.

Annex IX of Circular 4/2017 ("**Annex IX**") develops the general framework for credit risk management in accounting terms, essentially maintaining the amendments introduced by Circular 4/2016, of 27 April 2016 and mainly regulates the policies for the granting, modifying, evaluating, monitoring and controlling of transactions, which include their accounting and the estimation of credit risk loss hedging. In addition, a generally stricter regime is introduced for revaluation, mainly with respect to the general procedures of valuation and monitoring of real estate collateral and the valuation

of properties used as collateral for mortgage loans (supplemented by the application of automatic methods to obtain Automated Valuation Model valuations and specific criteria applicable to valuations performed by valuation companies, with strict requirements).

Adaptation to the accounting criteria of IFRS 9 and IFRS 15 since 2018 has had a substantial influence on the accounting plans of credit institutions, mainly due to the effects of the impairment of financial assets, which are subject to new classification criteria and the move from the "incurred losses" model to the "expected credit losses" model, applicable to financial assets measured at amortised cost and to financial assets valued at fair value, with changes in other overall results. This has had a significant impact on credit institutions' provisioning models, leading to accounting adjustments/reduced reserves, in addition to the major regulatory costs that credit institutions had to bear in 2018.

***IFRS 9***

International Financial Reporting Standard 9 ("**IFRS 9**") addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014 and replaces guideline IAS 39 on classification and measurement of financial instruments. IFRS 9 maintains, although it simplifies, the mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, at fair value with changes in profit and loss and fair value with changes in other comprehensive income. The basis of classification depends on the entity's business model and the characteristics of the financial asset's contractual cash flows. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other non-recyclable comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

In relation to financial liabilities, there have been no changes with respect to classification and valuation, except for the recognition of changes in the entity's own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. Under IFRS 9, there is a new model for losses resulting from impaired value, the expected credit loss model, which replaces the incurred loss model of IAS 39 and will result in recognition of losses earlier than under IAS 39.

IFRS 9 relaxes the requirements for effective hedging. Under IAS 39, hedging must be highly effective, both prospectively and retrospectively. IFRS 9 replaces this process by requiring an economic relationship between the hedged item and the hedging instrument and that the hedged ratio is the same as that actually used by the entity for its risk management. Contemporaneous documentation is still required, but is different from that prepared under IAS 39. Finally, extensive information is required, including a reconciliation between the initial and final amounts of the provision for expected credit losses, assumptions and data, and a reconciliation on transition between the categories of the original classification under IAS 39 and the new classification categories under IFRS 9.

IFRS 9 is effective for annual periods that commence as of 1 January 2018. IFRS 9 is applied retrospectively, although the comparative figures do not have to be re-stated.

For more information on IFRS 9, see note 1.d to the 2019 Financial Statements.

## TAXATION

*The following is a general description of certain tax considerations. The information provided below does not purport to be a complete summary of tax law and practice currently applicable and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Prospective investors who are in any doubt as to their position should consult with their own professional advisers.*

**The proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common Financial Transactions Tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, Financial Transactions Tax could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Financial Transactions Tax proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which, remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the Financial Transactions Tax.

In addition to the above, a draft Bill on the Spanish Financial Transactions Tax was published in the Official Gazette of the Spanish Parliament. For more information on the Spanish Financial Transactions Tax, see "*Regulation – Financial Transactions Tax*".

***Taxation in Spain***

**Introduction**

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

(a) of general application, Additional Provision One of Law 10/2014, of 26 June on regulation, supervision and solvency of credit entities and Royal Decree 1065/2007 of 27 July, as amended, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes;

(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 and Royal Decree 439/2007 of 30 March promulgating the IIT Regulations, along with 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 2014 of the CIT Law, and Royal Decree 634/2015, of 10 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 and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, along with Law 29/1987, of 18 December, on the Inheritance and Gift Tax.

Whatever the nature and residence of the Beneficial Owner (as defined in the Notes), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example, 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**

(a) **Individual Income Tax (Impuesto sobre la Renta de las Personas Físicas)**

Both interest payments periodically received and income derived from the transfer, redemption or repayment of the Notes obtained by individuals who are resident in Spain 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 PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law, and taxed according to the then-applicable rate. The savings taxable base will be taxed at the rate of 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,000 and €50,000 and 23 per cent. for taxable income in excess of €50,000.

According to Section 44.5 of Royal Decree 1065/2007, of 27 July, as amended, and in the opinion of the Issuer will pay interest without withholding to individual Holders who are resident for tax purposes in Spain provided that the information about the Notes required by Exhibit I is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities. In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

However, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent. which will be made by the depositary or custodian.

(b) **Net Wealth Tax (Impuesto sobre el Patrimonio)**

Individuals with tax residency in Spain would be subject to Wealth Tax to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000. Therefore, they should take into account the value of the Notes which they hold as of 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. The autonomous communities may have different provisions on this respect.

In accordance with Article 3 of Royal Decree-Law, 18/2019, of 27 December, a full exemption on Wealth Tax will apply in 2021 unless such exemption is revoked again.

(c) **Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)**

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Inheritance and Gift Tax in accordance with the applicable Spanish regional or State rules. The effective tax rates currently may range between 7.65 per cent. and 34 per cent.. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) do determine the final effective tax rate that currently range between 0 per cent. and 81.6 per cent..

2. **Legal Entities with Tax Residence in Spain**

(a) **Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT in accordance with the rules for this tax. The current general tax rate of 25 per cent., however, does not apply to all corporate income tax payers and, for instance, does not apply to banking institutions.

In accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July, as amended, and in the opinion of the Issuer, 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, the Issuer will not withhold tax on interest payments to Spanish CIT taxpayers provided that the information about the Notes required by Exhibit I is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent., withholding that will be made by the depositary or custodian, if the Notes 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 and require a withholding to be made.

(b) **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Legal entities resident in Spain for tax purposes are not subject to Wealth Tax.

(c) **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 Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for Spanish CIT purposes.

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

(a) **Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)**

(i) *Non-Spanish resident investors acting through a permanent establishment in Spain*

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

If the Notes 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 Notes are 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)*".

(ii) *With no permanent establishment in Spain*

Both interest payments received periodically and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, 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 Notes, in the manner detailed under "— Information about the Notes in Connection with Payments" as laid down in

section 44 of Royal Decree 1065/2007, as amended. If these information obligations are not complied with in the manner indicated, the Issuer will withhold 19 per cent. and will not pay additional amounts.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer does not receive the information about the Notes in a timely fashion 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.

(b) **Net Wealth Tax (*Impuesto sobre el Patrimonio*)**

Non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

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.

In accordance with Article 3 of Royal Decree-Law, 28/2019, of 27 December, a full exemption on Wealth Tax will apply in 2021 unless such exemption is revoked again.

Non-Spanish resident legal entities are not subject to Wealth Tax.

(c) **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over Notes 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 Notes 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 Notes not Listed on an Organised Market in an OECD Country**

4.1 **Withholding on Account of IIT, CIT and NRIT**

If the Notes are not listed on an organised market in an OECD country on any Payment Date, payments to Holders in respect of the Notes will be subject to withholding tax at the current rate of 19 per cent., 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 Notes 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 – Taxation in Spain – Individuals with Tax Residency in Spain — Net Wealth Tax (Impuesto sobre el Patrimonio)*" and "*Taxation – Taxation in Spain – Individuals and legal entities with no tax residency in Spain – Net Wealth Tax (Impuesto sobre el Patrimonio)*".

5. **Information about the Notes in Connection with Payments**

As described above, interest and other income paid with respect to the Notes will not be subject to Spanish withholding tax unless the procedures for delivering to the Issuer the information described in Exhibit I of this Information Memorandum 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, as amended ("**Section 44**").

In accordance with Section 44 paragraph 5, before the close of business on the Business Day (as defined in the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each, a "**Payment Date**") is due, the Issuer must receive from the Issue and Paying Agent the following information about the Notes:

(a) the identification of the Notes 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 Notes by means of a certificate, the form of which is attached as Exhibit I of this Information Memorandum.

In light of the above, the Issuer and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes 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 Issuer on each Payment Date, the Issuer will instruct the Issue and Paying Agent to withhold tax at the then-applicable rate (as at the date of this Information Memorandum 19 per cent.) from any payment in respect of the relevant Notes. The Issuer will not pay any additional amounts with respect to any such withholding.

If, before the tenth day of the month following the month in which the relevant payment is paid, the Issue and Paying Agent provides such information, the Issuer will instruct the Issue and Paying Agent to immediately transfer the relevant withholding tax (currently, 19 per cent) deducted in respect of the relevant payment pursuant to the above by way of reimbursement of the amounts withheld on the relevant payment date and completion of the corresponding payment in respect of payments under the Notes. If the Issue and Paying Agent fails or for any reason is unable to provide such information to the Issuer by the tenth day of the month following the month in which interest is paid, the Issue and Paying Agent shall immediately return (but in any event no later than the tenth day of the month immediately following the relevant payment) to the Issuer any remaining amount of the withholding tax (currently, 19 per cent) deducted in respect of the relevant payment, and investors will have to apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Prospective Holders of Notes should note that neither the Issuer nor the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Notes. Accordingly, neither the Issuer nor 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, the Issuer will not pay any additional amounts with respect to any such withholding. See "*Risk Factors—Risks in relation to the Notes—Taxation*".

*Set out below is Exhibit I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Exhibit I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

*Any foreign language text included in this Information Memorandum is for convenience purposes only and does not form part of this Information Memorandum*.

**EXHIBIT 1**

**Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007, as amended.**

**Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos**

Annex to Royal Decree 1065/2007, of 27 July, as amended, 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

**Don (nombre), con número de identificación fiscal (…)[(1)], en nombre y representación de (entidad declarante), con número de identificación fiscal (….)[(1)] y domicilio en (…) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number (..)[(1)], in the name and on behalf of (entity), with tax identification number (..)[(1)] and address in (..) as (function - mark as applicable):

**(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**

(a) Management Entity of the Public Debt Market in book entry form.

**(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

**(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

**(d) Agente de pagos designado por el emisor.**

(d) Issuing and Paying Agent appointed by Banco Santander.

**Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:**

Makes the following statement, according to its own records:

**1. En relación con los apartados 3 y 4 del artículo 44:**

1. In relation to paragraphs 3 and 4 of Article 44:

**1.1 Identificación de los valores……**

1.1 Identification of the securities……

**1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

**1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)……**

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 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora .....**

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 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**

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. En relación con el apartado 5 del artículo 44.**

2. In relation to paragraph 5 of Article 44.

**2.1 Identificación de los valores……**

2.1 Identification of the securities…….

**2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) ……**

2.2 Income payment date (or refund if the securities are issued at discount or are segregated) ……

**2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados .....…….**

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

**2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

**2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

**2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

**Lo que declaro en .....….a …. de .....…de ….**

I declare the above in ..... .. on the.. of ..... .. of ..

**(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

(1) 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.

## SUBSCRIPTION AND SALE

1. **General**

Each Dealer has represented, warranted and agreed that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver Notes and it will not directly or indirectly offer, sell, resell, re-offer or deliver Notes or distribute the Information Memorandum, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

2. **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. The Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold, and will not offer and sell, Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, the Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Regulation S.

3. **United Kingdom**

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

(a)

(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 Notes other than 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 where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not apply to the Issuer if it was not an authorised person; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

4. **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

5. **Singapore**

This Information Memorandum has not been registered as a prospectus with the MAS, and the Notes will be offered pursuant to exemptions under the SFA. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(c) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(d) where no consideration is or will be given for the transfer;

(e) where the transfer is by operation of law;

(f) as specified in Section 276(7) of the SFA; or

(g) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

**Notification under Section 309B(1)(c) of the SFA -** Unless otherwise stated in the applicable Final Terms, all Notes shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Product and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

6. **Kingdom of Spain**

This Information Memorandum shall not be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). Each Dealer and the Issuer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the offers of the Notes in Spain will be directed specifically at or made to professional clients (*clientes profesionales*) as this term is defined in Article 205 of the Restated Text of the Spanish Securities Market Law approved by Legislative Royal Decree 4/2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) as amended (the "**Spanish Securities Market Law**"), and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law, and in accordance with the provision of the Spanish Securities Market Law and further secondary legislation.

7. **Republic of France**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has only offered or sold and will only offer or sell, directly or indirectly, Notes in France to qualified investors (*investisseurs qualifiés*) as defined in Article L.411-2 1° of the French *Code monétaire et financier* and it has only distributed or caused to be distributed and will only distribute or cause to be distributed in France to such qualified investors this Information Memorandum, the relevant Final Terms or any other offering material relating to the Notes.

## GENERAL INFORMATION

### Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and may from time to time be made eligible via other clearing systems. The appropriate common code (if held at Euroclear and Clearstream, Luxembourg) and International Securities Identification Number in relation to each issue of Notes and any other clearing system as shall have accepted the relevant Notes for clearance will be specified in the Final Terms relating thereto.

### Admission to Listing and Trading

It is expected that Notes issued under the Programme may be admitted to listing on the Official List and to trading on the regulated market of Euronext Dublin after 16 April 2020. The admission of the Notes to trading on the regulated market of Euronext Dublin will be expressed as a percentage of their principal amount. Any Notes intended to be admitted to listing on the Official List and admitted to trading on the regulated market of Euronext Dublin will be so admitted to listing and trading upon submission to Euronext Dublin of the relevant Final Terms and any other information required by Euronext Dublin, subject in each case to the issue of the relevant Notes.

However, Notes may be issued pursuant to the Programme which will be admitted to listing, trading and or quotation by such other listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree. No Notes may be issued pursuant to the Programme on an unlisted basis.

### No Significant or Material Change

There has been no significant change in the financial or trading position of, and no material adverse change in the prospects of, Banco Santander or the Group since 31 December 2019.

### Litigation

Save as disclosed in the 2019 Annual Report, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Information Memorandum, a significant effect on the financial position or profitability of the Issuer and its subsidiaries.

### Material Contracts

During the two years prior to the date of this Information Memorandum, the Issuer has not been a party to any contracts that were not entered into in the ordinary course of business of the Issuer and which was material to the Group as a whole.

### Documents on Display

Electronic or physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the office of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK, at the registered office of S and the head office of Banco Santander (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain) and on the website of Banco Santander at www.santander.com for the life of this Information Memorandum:

1. the *estatutos* (constitutive documents) of Banco Santander, as the same may be updated from time to time;

2. the audited financial statements incorporated by reference herein;

3. this Information Memorandum, together with any supplements thereto and the information incorporated by reference therein;

4. the Agency Agreement;

5. the Deed of Covenant; and

6. the Issuer-ICSDs Agreement (which is entered into between Banco Santander and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

**Statutory Auditors**

The non-consolidated and consolidated annual financial statements of Banco Santander for the years ended 31 December 2018 and 31 December 2019 were audited by PricewaterhouseCoopers Auditores S.L., the Group's current independent auditors. PricewaterhouseCoopers Auditores S.L. is registered under number S0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) and is a member of the *Instituto de Censores Jurados de Cuentas de España*. The registered office of PricewaterhouseCoopers Auditores S.L. is Torre PwC, Paseo de la Castellana 259 B, 28046, Madrid, Spain.

**REGISTERED OFFICES OF THE ISSUER**

**Banco Santander, S.A.**
Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria s/n
28660 Boadilla del Monte
Madrid - Spain

**ARRANGER**

**Barclays Bank PLC**
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

**DEALERS**

**Banco Santander, S.A.**
Juan Ignacio Luca de Tena
Edificio Magdalena, Planta 1
28027 Madrid - Spain

**Barclays Bank Ireland PLC**
One Molesworth Street
Dublin 2, lreland,
D02 RF29

**Barclays Bank PLC**
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

**Citigroup Global Markets Europe AG**
Reuterweg 16,
60323 Frankfurt am Main
Germany

**Citigroup Global Markets Limited**
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**Coöperatieve Rabobank U.A.**
Croeselaan 18
3521 CB Utrecht
The Netherlands

**Crédit Agricole Corporate and Investment Bank**
12, Place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

**Credit Suisse Securities (Europe) Limited**
One Cabot Square
London E14 4QJ
United Kingdom

**Credit Suisse Securities Sociedad de Valores S.A.**
Calle de Ayala 42,
28001 Madrid,
Spain

**Goldman Sachs International**
Plumtree Court
25 Shoe Lane
London EC4A 4AU
United Kingdom

**ING Bank N.V.**
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

**J.P. Morgan AG**
Taunustor 1
60310
Frankfurt am Main
Germany

**J.P. Morgan Securities plc**
25 Bank Street
Canary Wharf – 4th Floor
London E14 5JP
United Kingdom

**Société Générale**
29 boulevard Haussmann
75009 Paris
France

**UBS Europe SE**
Bockenheimer Landstrasse 2-4
60306 Frankfurt am Main
Germany

## THE ISSUING AND PAYING AGENT

**Citibank N.A., London Branch**
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

## THE LISTING AGENT

**A&L Listing Limited**
International Financial Services Centre
North Wall Quay
Dublin 1
Ireland

## LEGAL ADVISERS

*To Banco Santander as to Spanish law*

**Ciudad Grupo Santander**
Edificio Encinar
Avenida de Cantabria s/n
28660, Boadilla del Monte
Madrid
Spain

*To the Dealers as to English and Spanish law*

**Clifford Chance, S.L.P.U.**
Paseo de la Castellana, 110
28046 Madrid
Spain

## AUDITORS OF BANCO SANTANDER

**PricewaterhouseCoopers Auditores, S.L.**
Torre PwC, Paseo de la Castellana, 259-B
28046 Madrid
Spain