



**SANTANDER COMMERCIAL PAPER, S.A.
UNIPERSONAL**

€15,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME

guaranteed by

BANCO SANTANDER, S.A.

Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") 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 Santander Commercial Paper, S.A. Unipersonal guaranteed by Banco Santander, S.A. described in this document to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market.

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 1 - 24 of this Information Memorandum).

Potential purchasers should note the statements on pages 98 - 103 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 and the Guarantor 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 and the Guarantor in a timely manner.

Arranger

Morgan Stanley

Dealers

Barclays
Citigroup
Crédit Agricole CIB
Goldman Sachs International
Morgan Stanley
Santander Global Banking & Markets
The Royal Bank of Scotland

BofA Merrill Lynch
Commerzbank
Credit Suisse
ING
Rabobank
Société Générale
UBS Investment Bank

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 Santander Commercial Paper, S.A. Unipersonal (the "**Issuer**") and by Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Bank**", the "**Guarantor**" or the "**Parent**") 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, in each case with the benefit of a guarantee by the Guarantor. 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**"). Each of the Issuer and the Guarantor has, pursuant to a dealer agreement dated 20 April 2015 (the "**Dealer Agreement**"), appointed Morgan Stanley & Co. International plc as arranger for the Programme (the "**Arranger**"), appointed Banco Santander, S.A., Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank International Limited, Commerzbank Aktiengesellschaft, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., Morgan Stanley & Co. International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited 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.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer and the Guarantor (who have each taken all reasonable care to ensure that such is the case), 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).

Each of the Issuer and the Guarantor 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 Guarantor 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 the Guarantor or that there has been no change in the business, financial condition or affairs of the Issuer or the Guarantor 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 the Irish Stock Exchange. This Information Memorandum should be read and construed with any supplemental Information Memorandum, any Final Terms and with any other document incorporated by reference.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor and the companies whose accounts are consolidated with

those of the Guarantor (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 or the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor, 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 or the Guarantor 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, the Guarantor 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 or the Guarantor 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 Guarantor, 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, the Issuer and the Guarantor set out under "Subscription and Sale" below.

THE NOTES AND THE GUARANTEE 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 and the Guarantee 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.

Each of the Issuer and the Guarantor 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 the Irish Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or the Guarantor 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, each of the Issuer and the Guarantor 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 the Irish Stock Exchange. Any such supplement to this Information Memorandum will be subject to the approval of the Irish Stock Exchange 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.

Interpretation

In the Information Memorandum, references to "**euro**", "**EUR**" 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 "**SFr**" are to Swiss Francs; references to "**A\$**" are to Australian dollars; references to "**C\$**" are to Canadian dollars; references to "**NZ\$**" are to New Zealand dollars and references to "**R\$**" are to Brazilian Reais.

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.

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RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its respective obligations under Notes issued under the Programme and under the deed of guarantee dated 20 April 2015 (the "**Deed of Guarantee**"). Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is 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 Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay any amounts due on or in connection with any Notes or the Deed of Covenant, or of the Guarantor to pay any amounts due on or in connection with the Deed of Guarantee may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any 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 "Conditions of the Notes" below or elsewhere in this Information Memorandum have the same meanings in this "Risk Factors" section.

The risk factors set out below also relate to the Issuer as a member of the Group

Risk Factors relating to the Issuer and the Guarantor

Macro-Economic and Political Risks

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

Santander's loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. At 31 December 2014, Continental Europe accounted for 37% of Santander's total loan portfolio (Spain accounted for 22% of its total loan portfolio), while the United Kingdom (where the loan portfolio consists primarily of residential mortgages), Latin America and the United States accounted for 34%, 20% and 9%, respectively. Accordingly, the recoverability of these loan portfolios in particular, and Santander's ability to increase the amount of loans outstanding and the results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. A return to recessionary conditions in the economies of Continental Europe (in particular, Spain), in the United Kingdom, the Latin American countries in which the Group operates or the United States, would likely have a significant adverse impact on Santander's loan portfolio and, as a result, on Santander's financial condition, cash flows and results of operations.

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

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

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

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

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

Increased disruption and volatility in the global financial markets could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding availability or costs or in deposit rates could have a material adverse effect on the Group's interest margins and liquidity.

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

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

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

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

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

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

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

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

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

The economies of some of the countries where the Group operates, particularly in Latin America, have experienced significant volatility in recent decades, characterised, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. Negative and fluctuating economic conditions, such as a changing interest rate environment, impact its profitability by causing lending margins to decrease and leading to decreased demand for higher margin products and services.

Negative and fluctuating economic conditions in the countries in which the Group operates, such as have been experienced recently in certain Latin American and European countries, could also result in government defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in these regions or countries.

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

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

Risks Relating to the Group's Business

Legal, Regulatory and Compliance Risks

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

The Group faces risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject it to monetary judgments, regulatory enforcement actions, fines and penalties. The current regulatory environment in the jurisdictions in which it 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.

Santander is from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of its business, including in connection with conflicts of interest, lending activities, relationships with Santander's employees and other commercial or tax matters. In view of the inherent

difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, Santander cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. Santander believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings. However, the amount of these provisions is substantially less than the total amount of the claims asserted against the Group and in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by it. As a result, the outcome of a particular matter may be material to the Group's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and its level of income for that period.

Santander is subject to substantial regulation which could adversely affect its business and operations.

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

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

Capital requirements, liquidity and funding.

Increasingly onerous capital requirements constitute one of the Bank's main regulatory challenges. Increasing capital requirements may adversely affect the Bank's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels. As a Spanish financial institution, the Bank is subject to CRD IV, through which the European Union began implementing the Basel III capital reforms from 1 January 2014, with certain requirements in the process of being phased in until 1 January 2019. The core regulation in the solvency of credit entities is, therefore, the CRR, which is complemented by several binding technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures. The implementation of the CRD IV Directive into Spanish law has largely taken place through RD-L 14/2013 and Law 10/2014, and a new Bank of Spain Circular 2/2014, of 31 January. Notwithstanding this, further regulatory developments in this area remain pending as at the date of this Information Memorandum.

The new regulatory regime has, among other things, increased the level of capital required by means of a "combined buffer requirement" that entities must comply with from 2016 onwards. Article 104 of the CRD IV Directive, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank (the "ECB") concerning policies relating to the prudential supervision of credit institutions (the "SSM Regulation"), also contemplate that in addition to the minimum "Pillar 1" capital requirements, supervisory authorities may impose further "Pillar 2" capital requirements to cover other risks, including those not considered to be fully captured by the minimum "own funds" requirements under CRD IV or to address macro-prudential considerations. This may result in the imposition of additional own funds

requirements on the Bank and/or the Group pursuant to this "Pillar 2" framework. Any failure by the Bank and/or the Group to maintain its "Pillar 1" minimum regulatory capital ratios, any "Pillar 2" additional own funds requirements and/or any buffer capital requirements (as discussed below) could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Group's results of operations.

The ECB is currently undertaking an assessment of the additional "Pillar 2" capital requirements that may be imposed for each of the European banking institutions now subject to the Single Supervisory Mechanism (the "**SSM**"). The ECB is required to carry out these assessments under CRD IV at least on an annual basis. There can be no assurance that an additional own funds requirement for the Bank and/or the Group may not be required by the ECB either when it provides its final decision in relation to this initial assessment or at any time in the future. Any additional own funds requirement that may be imposed on the Bank and/or the Group by the ECB pursuant to this initial assessment may require the Bank and/or the Group to hold capital levels similar to, or higher than, those required under the full application of CRD IV and potentially could be in line with earlier applicable minimum capital ratios required pursuant to the EBA recommendation of 22 July 2013 and capital principal requirements under Royal Decree-Law 2/2011 of 18 February 2011 (as amended subsequently by Law 9/2012). There can also be no assurance that the Group will be able to continue to maintain such capital ratios.

In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of its supervisory review and evaluation process (SREP). Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional own funds requirements to be implemented by 1 January 2016. Under these guidelines, national supervisors must set a composition requirement for the additional own funds requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above "combined buffer requirement" is in addition to the minimum own funds requirement and to the additional own funds requirement. In this regard, according to Law 10/2014, for those entities not meeting the "combined buffer requirement" or the "Pillar 2" capital requirements described above or where a restriction upon "discretionary payments" has been imposed pursuant to Article 68 of Law 10/2014 distributions relating to CET1 capital, variable remuneration or discretionary pension revenues and distributions relating to additional tier 1 capital may be subject to restrictions until the Maximum Distributable Amount has been calculated and communicated to the Bank of Spain (and thereafter subject to such Maximum Distributable Amount). The criteria for the calculation of the Maximum Distributable Amount in respect of any such "discretionary payments" are specified in the Royal Decree 84/2015, of 13 February, which develops Law 10/2014.

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

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

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

The FSB has proposed that a single specific minimum "Pillar 1" TLAC requirement will be set at the greater of (a) 16% to 20% of risk weighted assets and (b) twice the amount of capital required to meet the relevant Basel III Tier 1 leverage ratio requirement. However, the final proposed TLAC amount has not been agreed within the FSB and is the subject of a quantitative impact study, expected to be completed in

2015. The final requirements are expected to be announced in 2015, most probably at the FSB's plenary session in November 2015.

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

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

EU fiscal and banking union.

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

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

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

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

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost. Regulation (EU) No. 806/2014 of the European Parliament and the Council of the European Union (the "**SRM Regulation**"), which was passed on 15 July 2014, and takes legal effect from 1 January 2015, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund. The new Single Resolution Board started operating from 1 January 2015 but it will not fully assume its resolution powers until 1 January 2016. From that date onwards the Single Resolution Fund will also be in place, funded by contributions from European

banks in accordance with the methodology approved by the Council of the European Union. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8% bail-in of a bank's liabilities has been applied to cover capital shortfalls (in line with the BRRD).

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

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

The process for the implementation of the BRRD in Spain started on 1 December 2014, with the publication of the BRRD Draft Implementation Law for public consultation by the Spanish Ministry of Economy and Competitiveness. On 27 February 2015, the Council of Ministers submitted to Parliament the Draft Law on the Recovery and Resolution of Credit Institutions and Investment Service Companies ("*Proyecto de Ley de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*").

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

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

United States significant regulation

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

With respect to OTC derivatives, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, exchange trading and transaction reporting of certain OTC derivatives. Entities that are swap dealers, security-based swap dealers, major swap participants or major security-based swap participants are required to register with the CFTC or the SEC, or both, and are or will be subject to new capital, margin, business conduct, recordkeeping, clearing, execution, reporting and other requirements. Santander and Abbey National Treasury Services plc

became provisionally registered as swap dealers with the CFTC on 8 July 2013 and 4 November 2013, respectively. In addition, Santander may register one more subsidiary as swap dealer with the CFTC. Although many significant regulations applicable to swap dealers are already in effect, some of the most important rules, such as margin requirements for uncleared swaps, have not yet been implemented and Santander continue to assess how compliance with these new rules will affect our business.

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

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

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

Within the Dodd-Frank Act, the Volcker Rule prohibits "banking entities" from engaging in certain forms of proprietary trading or from sponsoring or investing in covered funds, in each case subject to certain exceptions. The Volcker Rule became effective on 21 July 2012 and on 10 December 2013, U.S. regulators issued final rules implementing the Volcker Rule. The final rules limit the ability of banking entities and their affiliates to enter into certain transactions with covered funds with which they or their affiliates have certain relationships. The final rules also contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, trading solely outside the United States, and also permits certain ownership interests in certain types of funds to be retained. The final rules implementing the Volcker Rule extended the period for all banking entities to conform to the Volcker Rule and implement a compliance program until 21 July 2015. In December 2014, the Federal Reserve issued an order extending the Volcker Rule's general conformance period until 21 July 2016 for investments in and relationships with covered funds and certain foreign funds that were in place on or prior to 31 December 2013 ("**legacy covered funds**"), and stated its intention to grant a final one-year extension of the general conformance period, to 21 July 2017, for banking entities to conform ownership interests in and relationships with legacy covered funds. This extension of the conformance period does not apply to the Volcker Rule's prohibitions on proprietary trading or to any investments in and relationships with covered funds made or entered into after 31 December 2013. Banking entities such as the Bank must bring their activities and investments into compliance with the requirements of the Volcker Rule by the end of the conformance period. Santander is assessing how the final rules implementing the Volcker Rule will affect its businesses and is developing and implementing plans to bring affected businesses into compliance.

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

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

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

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

The preparation of the Group's tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities. Santander is subject to the income tax laws of Spain and certain foreign countries. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, Santander must make judgments and interpretations about the application of these inherently complex tax laws. If the judgment, estimates and assumptions Santander uses in preparing its tax returns are subsequently found to be incorrect, there could be a material adverse effect on its results of operations.

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

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

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

Santander has developed policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and other financial crime related activities. These require implementation and embedding within its business effective controls and monitoring, which in turn require on-going changes to systems and operational activities. Financial crime is continually evolving and subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptable responses from the Group so that Santander is able to effectively deter threats and criminality. Even known threats can never be fully eliminated, and there will be instances where Santander may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, Santander relies heavily on its employees to assist it by spotting such activities and reporting them, and its employees have

varying degrees of experience in recognising criminal tactics and understanding the level of sophistication of criminal organisations. Where Santander outsources any of its customer due diligence, customer screening or anti financial crime operations, it remains responsible and accountable for full compliance and any breaches. If Santander is unable to apply the necessary scrutiny and oversight, there remains a risk of regulatory breach.

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

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

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

Any such risks could have a material adverse effect on Santander's operating results, financial condition and prospects.

Changes in taxes and other assessments may adversely affect Santander.

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

Liquidity and Financing Risks

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

Liquidity risk is the risk that Santander 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 Santander implements liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding its business, and extreme liquidity constraints may affect its current operations as well as limit growth possibilities.

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

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

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

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

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

Santander cannot assure that in the event of a sudden or unexpected shortage of funds in the banking system, it 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 Bank could be materially adversely affected.

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

Credit ratings affect the cost and other terms upon which the Bank is able to obtain funding. Rating agencies regularly evaluate the Group, and their ratings of its debt are based on a number of factors, including its financial strength and conditions affecting the financial services industry generally. In addition, due to the methodology of the main rating agencies, Santander's credit rating is affected by the rating of Spanish sovereign debt. If Spain's sovereign debt is downgraded, its credit rating would also likely be downgraded by an equivalent amount.

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

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

upgrade revision of Spain's sovereign debt (Moody's Investors Service from Baa2 to Baa1, Standard & Poor's from BBB to BBB+ and Fitch from BBB+ to A-).

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

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

While certain potential impacts of these downgrades are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviors of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including which credit rating agency downgrades Santander'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 Santander's stress testing scenarios and a portion of its total liquid assets is held against these risks, it is still the case that a credit rating downgrade could have a material adverse effect on Santander and/or its subsidiaries.

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

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

Credit Risks

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

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Non-performing or low credit quality loans have in the past and can continue to negatively impact the Group's results of operations. Santander cannot assure you that it will be able to effectively control the level of the impaired loans in its total loan portfolio. In particular, the amount of its reported non-performing loans may increase in the future as a result of growth in its total loan portfolio, including as a result of loan portfolios that Santander may acquire in the future, or factors beyond its control, such as adverse changes in the credit quality of its borrowers and counterparties or a general deterioration in economic conditions in Continental Europe, the United Kingdom, Latin America, the United States or global economic conditions, impact of political events, events affecting certain industries or events affecting financial markets and global economies.

Santander's current loan loss reserves may not be adequate to cover any increase in the amount of non-performing loans or any future deterioration in the overall credit quality of its total loan portfolio.

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

Mortgage loans are one of Santander's principal assets, comprising 52% of its loan portfolio as of 31 December 2014. Santander is exposed to developments in housing markets, especially in Spain and the United Kingdom and to a number of large real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a vacation destination and historically low interest rates in the eurozone. The United Kingdom also experienced an increase in housing and mortgage demand driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial center. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. Since 2008, as economic growth stalled in Spain and the United Kingdom, persistent housing oversupply, decreased housing demand, rising unemployment, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance and the continued effect of global market volatility have caused home prices to decline, while mortgage delinquencies and forbearances have increased. As a result of these and other factors, our NPL ratio increased from 0.94% at 31 December 2007, to 2.02% at 31 December 2008, to 3.24% at 31 December 2009, to 3.55% at 31 December 2010, to 3.89% at 31 December 2011, to 4.54% at 31 December 2012 and to 5.64% at 31 December 2013. At 31 December 2014, Santander's NPL ratio was 5.2%. These trends, especially higher unemployment rates coupled with declining real estate prices, could have a material adverse impact on its mortgage payment delinquency rates, which in turn could have a material adverse effect on its business, financial condition and results of operations.

Santander's loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on it.

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

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

The value of the collateral securing Santander's loan portfolio may fluctuate or decline due to factors beyond its control, including macroeconomic factors affecting Europe, the United States and Latin American countries. The value of the collateral securing its loan portfolio may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of its loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of its loan portfolio and could have an adverse impact on the economy of the affected region. Santander 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, Santander may need to make additional provisions to cover actual impairment losses of its loans, which may materially and adversely affect its results of operations and financial condition.

Santander is subject to counterparty risk in its banking business.

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

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

Market Risks

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

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

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

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

Increases in interest rates may reduce the volume of loans the Group 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 also reduce the propensity of our customers to prepay or refinance fixed-rate loans. Increases in interest rates may reduce the value of its financial assets and may reduce gains or require it to record losses on sales of its loans or securities.

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

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

The Group is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect its earnings and value of its assets and securities.

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

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

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

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

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

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

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

Risk Management

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

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

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

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

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

General Business and Industry Risks

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

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

Changes in Santander's pension liabilities and obligations could have a material adverse effect on it.

Santander provides retirement benefits for many of its former and current employees through a number of defined benefit pension plans. It calculates the amount of its defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets, or others. These calculations are based on IFRS-EU 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 its pension funds. Because pension

obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of its defined benefit obligations and therefore on the amount of pension expense that it accrues.

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

Santander depends in part upon dividends and other funds from subsidiaries.

Some of Santander's operations are conducted through its financial services subsidiaries. As a result, its 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 it. Payment of dividends, distributions and advances by its subsidiaries will be contingent upon its subsidiaries' earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. Additionally, Santander'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 its subsidiaries' creditors, including trade creditors.

Increased competition and industry consolidation may adversely affect our 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.

Increasing competition could require that the Group increase its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on it, 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.

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

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

The success of the Group's operations and its profitability depends, in part, on the success of new products and services it offers its clients and its ability to continue offering products and services from third parties. However, it cannot guarantee that its new products and services will be responsive to client demands or successful once they are offered to the Group's clients, or that they will be successful in the future. In addition, the Group's clients' needs or desires may change over time, and such changes may

render the Group's products and services obsolete, outdated or unattractive and it may not be able to develop new products that meet its clients' changing needs. If the Group cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially and adversely affect it.

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

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

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

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

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

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

Goodwill impairments may be required in relation to acquired businesses.

Santander 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 its valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect of goodwill is performed annually, more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not, however, affect its regulatory capital. While no material impairment of goodwill was recognised in 2013 or 2014, there can be no assurances that it will not have to write down the value attributed to goodwill in the future, which would adversely affect its results and net assets.

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

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

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

Santander relies on third parties for important products and services.

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

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

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

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

The Group could suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as it expands our business activities through more numerous transactions, obligations and interests with and among its clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with the Group, or give rise to litigation

or enforcement actions against it. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group.

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

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

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

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

Technology Risks

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

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

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

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

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

Failure to protect personal information could adversely affect the Group.

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

Financial Reporting and Control Risks

Changes in accounting standards could impact reported earnings.

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

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

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

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Given the uncertainty and subjectivity associated with valuing such instruments it is possible that the results of the Group's operations and financial position could be materially misstated if the estimates and assumptions used prove to be inaccurate.

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

Risks in relation to the Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. 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 the Irish Stock Exchange, 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 and/or Clearstream, Luxembourg and possibly other clearing systems, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

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 2015 (the "**Deed of Covenant**").

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 and the Guarantor are required to receive certain information relating to the Notes. If such information is not received by the Issuer or the Guarantor, as the case may, it will be required to apply Spanish withholding tax to any payment of interest in respect of the relevant 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 relevant Issuer or the Guarantor 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 or the Guarantor, as the case may be, 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, the Guarantor 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 or, as the case may be, the Guarantor on each Payment Date, the Issuer or, as the case may be, the Guarantor will withhold tax at the then-applicable rate (as at the date of this Information Memorandum) 20% from any payment in respect of the relevant Notes. Neither the Issuer or the Guarantor will 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 "*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, the Guarantor 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 and the Guarantor, 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 20%.

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

Risks Relating to the Insolvency Law

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

Law 22/2003 provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days), (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.

As such, certain provisions of the Insolvency Law could affect the ranking of the Notes or claims relating to the Notes on an insolvency of Santander Commercial Paper, S.A. or the Guarantor.

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.

DOCUMENTS INCORPORATED BY REFERENCE

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

1. an English language translation of the Guarantor's audited consolidated and non-consolidated financial statements, together with the notes thereto and auditors' report thereon, included in the section entitled "Auditor's report and Annual Consolidated Accounts" of the Guarantor's Annual Reports for the years ended 31 December 2014 and 31 December 2013; and
2. an English language translation of the audited financial statements of Santander Commercial Paper, S.A. Unipersonal for the years ended 31 December 2014 and 31 December 2013.

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 the Irish Stock Exchange.

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.

RECENT DEVELOPMENTS

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

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

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

In January 2014, the public offering of shares of Santander Consumer USA Inc. ("**SCUSA**") was completed and the company was admitted to trading on the New York Stock Exchange. The offering represented 21.6% of SCUSA's share capital, of which 4% related to the ownership interest sold by the Group. Following this sale, the Group held 60.74% of the share capital of SCUSA (31 December 2014: 60.46%). Both Sponsor Auto Finance Holdings Series LP ("**Sponsor Holdings**") – an investee of funds controlled by Warburg Pincus LLC, Kohlberg Kravis Roberts & Co. L.P. and Centerbridge Partners L.P. – and DDFS LLC ("**DDFS**") – a company controlled by Thomas G. Dundon, who holds the position of Chief Executive Officer of SCUSA – also reduced their ownership interest in SCUSA.

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

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

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

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

The Group, through its subsidiary Santander Consumer Finance, S.A., and Banque PSA Finance, the vehicle financing unit of the PSA Peugeot Citroën Group, entered into an agreement for the joint operation of the vehicle financing business in eleven European countries. Pursuant to the terms of the agreement, the Group will finance this business under certain circumstances and conditions from the date on which the transaction is completed, which is expected to occur in 2015 or at the beginning of 2016. In addition, in certain countries, the Group will purchase a portion of the current lending portfolio of Banque PSA Finance. The Group also entered into a cooperation agreement relating to the insurance business in all these countries. The transaction is subject to approval by the relevant regulatory and competition authorities.

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

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

On 28 April 2014, the Bank's board of directors approved a bid for the acquisition of all the shares of Santander Brasil not owned by the Group, which represent approximately 25% of the share capital of Santander Brasil. The transaction would be paid for in shares of the Bank.

The offer was voluntary, in that the non-controlling shareholders of Santander Brasil were not obliged to participate, and it was not conditional upon a minimum acceptance level. Santander would acquire all the shares whose holders accept the bid, and did not intend to delist Santander Brasil from either the São Paulo or the New York stock exchange. The Banco Santander shares would be listed on the São Paulo Stock Exchange in the form of Brazilian Depositary Receipts (BDRs). The shareholders that accepted the bid would receive, in the form of BDRs or American Depositary Receipts (ADRs), 0.70 new Banco Santander shares for each unit or ADR of Santander Brasil and 0.35 new Banco Santander shares for each ordinary or preference share of Santander Brasil.

On 15 September 2014, the extraordinary shareholders' general meeting of Banco Santander approved the proposal from the board of directors to increase share capital for the acquisition of all Santander Brasil shares not held by Grupo Santander, representing 24.75% of its share capital. The transaction would be paid for in Banco Santander shares, with those of Santander Brasil valued at the market price on the day prior to the announcement of the offer plus a 20% premium.

On 31 October 2014, the Group gave notice of the termination of the acceptance period for the exchange offer made for the shares of Santander Brasil that were not held by Grupo Santander, which was formally launched on 18 September 2014. Securities representing 13.65% of Santander Brasil's share capital were tendered in the offer. To effect the exchange, on 5 November 2014 the Group issued 370,937,066 shares. Therefore, Grupo Santander's shareholding in Santander Brasil increased to 89.58% of its share capital.

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

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

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

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

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

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

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

On 6 March 2015, Santander completed the acquisition of Carfinco for an amount of 298 million Canadian dollars (approximately €210 million). Santander paid 11.25 Canadian dollars per share, which represented a premium of 32% on the share price during the 90 trading sessions prior to the first announcement of the transaction on 6 September 2014.

The impact of the transaction on the Group's shareholders' equity is not significant.

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

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

On 23 December 2014, the Group acquired 19.07% of Metrovacesa, S.A. from Bankia, S.A. for €98.9 million, as a result of which its stake increased to 55.89%, thus obtaining control over this company.

The measurement at fair value of the investment held prior to the acquisition of control had an adverse effect of €143 million on profit or loss. Consequently, the aforementioned transaction gave rise to the recognition of a gain of €17 million in the Group's consolidated income statement.

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

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

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

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

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

The European Invitation was undertaken as a part of the Group's active management of liabilities and capital, and focused on core capital generation as well as the optimisation of future interest expense. The

invitation was also designed to provide liquidity in the market and to offer the holders of the European Securities the possibility to exit their investment in the European Securities.

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

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

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

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

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

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

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

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

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

Also, the Group entered into a shareholders' agreement with Sherbrooke Acquisition Corp SPC shareholders regulating, inter alia, the taking of strategic, financial, operational and other significant decisions regarding the ordinary management of SAM on a joint basis. Certain restrictions on the transferability of the shares were also agreed, and a commitment was made by the two parties to retain the restrictions for at least 18 months. Lastly, Sherbrooke Acquisition Corp SPC will be entitled to sell to the Group its ownership interest in the share capital of SAM at market value on the fifth and seventh

anniversaries of the transaction, unless a public offering of SAM shares has taken place prior to those dates.

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

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

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

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

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

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

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

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

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

On 28 February 2012, the Group announced that Banco Santander, S.A. and KBC had entered into an investment agreement to combine their Polish banking subsidiaries, BZ WBK and Kredyt Bank S.A. ("**Kredyt Bank**"), following which the Group would control approximately 76.5% of the entity resulting from the merger and KBC 16.4%, with the remaining 7.1% being owned by non-controlling interests. Also, the Group undertook to place a portion of its ownership interest among investors and to acquire up to 5% of the entity resulting from the merger in order to help KBC to reduce its holding in the merged entity to below 10%. KBC's objective is to dispose of its entire investment in order to maximize its value.

The transaction entailed a share capital increase in BZ WBK, where the newly issued shares in BZ WBK were offered and rendered to KBC and the other shareholders of Kredyt Bank in exchange for their shares in Kredyt Bank. Under the agreements BZ WBK would merge with Kredyt Bank at the ratio of 6.96 BZ WBK shares for every 100 Kredyt Bank shares. At market prices as of the date of the announcement, the transaction valued Kredyt Bank at PLN 15.75 a share and BZ WBK at PLN 226.4 a share. The combined bank's total pro forma value would be PLN 20.8 billion (€5 billion). Both Bank Zachodni WBK and Kredyt Bank were listed on the Warsaw Stock Exchange. The merged bank would continue to be listed on the Warsaw Stock Exchange.

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

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

Following these transactions, the Group held 70% of the share capital of BZ WBK and the remaining 30% was held by non-controlling interests.

Under the investment agreement, Santander also committed to acquire 100% of Zagieli, the consumer finance arm of KBC in Poland. In 2013 Zagieli was integrated into Santander Consumer Finance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The IPO of Santander Mexico was an important step in the Group's strategy of having market listings for all of its significant subsidiaries.

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

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

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

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

On 19 October 2012, the Group announced that it had reached an agreement with Elavon Financial Services Limited ("**Elavon**") to jointly operate a payment services business for credit and debit cards through merchants' point of sale terminals in Spain.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Valores Santander*: On 30 March 2012, the Group informed that the Ordinary General Shareholders' Meeting held that day had resolved to grant the holders of *Valores Santander* an option to convert their securities on four occasions before 4 October 2012, the mandatory conversion date for the outstanding *Valores Santander*. As a result on 7 June 2012, 5 July 2012, 7 August 2012, 6 September 2012 and 9 October 2012 we issued 73,927,779, 193,095,393, 37,833,193, 14,333,873 and 200,311,513 new shares related to the conversion requests of 195,923, 511,769, 98,092, 37,160 and 519,300 *Valores Santander*, respectively.
- *Scrip Dividend*: On 31 January 2012, 2 May 2012, 30 July 2012 and 2 November 2012, the Group issued 167,810,197 shares, 284,326,000 shares, 218,391,102 shares and 222,107,497 shares (1.88%, 3.13%, 2.27%, and 2.20% of the share capital, respectively), giving rise to capital increases of €83,905,098.50, €142,163,000, €109,195,551 and €111,053,748.50, respectively.
- As of 31 December 2013, the Group's capital had increased by 1,012,240,738 shares, or 9.81% of its total capital as of 31 December 2012, to 11,333,420,488 shares as a result of the following transactions:
- *Scrip Dividend*: On 30 January 2013, 30 April 2013, 31 July 2013 and 31 October 2013, the Group issued 217,503,395 shares, 270,917,436 shares, 282,509,392 shares and 241,310,515 shares (2.06%, 2.51%, 2.55%, and 2.13% of the share capital, respectively), giving rise to capital increases of €108,751,697.50, €135,458,718, €141,254,696 and €120,655,257.50, respectively.
- As of 31 December 2014, the Group's capital had increased by 1,250,994,171 shares, or 11.04% of its total capital as of 31 December 2013, to 12,584,414,659 shares as a result of the following transactions:
- *Scrip Dividend*: On 3 February 2014, 2 May 2014, 1 August 2014 and 6 November 2014, the Group issued 227,646,659 shares, 217,013,477 shares, 210,010,506 shares and 225,386,463 shares (2.01%, 1.88%, 1.78%, and 1.82% of the share capital, respectively), giving rise to capital increases of €113,823,329.50, €108,506,738.50, €105,005,253 and €112,693,231.50, respectively.
- *Acquisition of non-controlling interests in Banco Santander (Brasil) S.A.*: On 5 November 2014 the Group issued 370,937,066 shares (3.09% of the share capital) giving rise to a capital increase of €185,468,533.

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

- That such review, carried out with reference to December 2013, affected 16 portfolios in 7 countries, accounting for more than 50% of the Group's risk assets.
- That the adjustment in the Group's provision levels resulting from this review was immaterial, as it amounted to €200 million, while the Group's total assets amounted to €1.1 trillion. This adjustment represented an impact of 0.04 percentage points on the Group's capital ratio. The non-performing loan ratio of the reviewed portfolios increased 0.14 percentage points post-AQR, which showed that coverage was appropriate and that risks were correctly classified.

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

- As of 31 December 2014, the Group increased its capital ratio (CET1) by 1.6 percentage points in the base scenario, to 12%.

- In the adverse scenario, the CET1 ratio dropped 1.4 percentage points, to 9%. That ratio was 3.5 percentage points above the required minimum, meaning that in this scenario, the Group would exceed the required capital amount by close to €20 billion.

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

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

On 10 April 2015 Santander disclosed the information in connection with the flexible compensation scheme "Santander Dividendo Elección" (scrip dividend scheme) to be applied to the final 2014 dividend. The ordinary general shareholders' meeting of Santander held on 27 March 2015 resolved to increase Santander's share capital, with full charge to reserves, in an amount to be determined in accordance with the terms and conditions set out in the resolution, delegating the execution of the increase to the board of directors, with authority to delegate in turn to the executive committee. The executive committee of Santander, in the meeting held on 10 April 2015, resolved to execute the increase in accordance with the terms and conditions set out by the ordinary general shareholders' meeting and fixed the overall market value of the increase at €2,165 million, pursuant to the resolution of the general shareholders' meeting. The increase serves as an instrument for the scrip dividend scheme, the gross amount of which shall be applied to the final 2014 dividend in April / May 2015.

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

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

KEY FEATURES OF THE PROGRAMME

Issuer:	Santander Commercial Paper, S.A. Unipersonal
Guarantor:	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 and the Guarantor to fulfil their respective obligations under the Notes are discussed under " <i>Risk Factors</i> ", above.
Arranger:	Morgan Stanley & Co. International plc
Dealers:	Banco Santander, S.A., Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank International Limited, Commerzbank Aktiengesellschaft, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., Morgan Stanley & Co. International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular issue of Notes.
Issuing and Paying Agent:	The Bank of New York Mellon, 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): (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, SFr 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.

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 may 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 of the Issuer and upon the insolvency of the Issuer (and unless they qualify as subordinated debts under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank <i>pari passu</i> and rateably without any preference among themselves and the payment obligations of the Issuer under the Notes rank at least <i>pari passu</i> with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.
Status of the Deed of Guarantee:	The obligations of the Guarantor in respect of the guarantee of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and upon the insolvency of the Guarantor (and unless they qualify as subordinated debts under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank <i>pari passu</i> and rateably without any preference among such obligations of the Guarantor in respect of the Notes of the same issue and at least <i>pari passu</i> with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the Deed of Guarantee.
Taxation:	All payments under the Notes and the Deed of Guarantee 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 the Deed of Guarantee 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.

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 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, 20 per cent.).

None of the Issuer, the Guarantor, 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 the Irish Stock Exchange and/or listed, traded and/or quoted on any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer. 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, Spain and France (see "*Subscription and Sale*").

Governing Law:

The status of the Notes and the status of the Deed of Guarantee, the capacity of the Issuer and the Guarantor 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 the Guarantor by the Issuer and will be used for the general funding purposes of the Group.

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

Santander Commercial Paper, S.A. Unipersonal, which is a wholly owned subsidiary of the Guarantor, was incorporated by a public deed executed on 27 February 2004 and registered in the Mercantile Registry of Madrid on 2 March 2004 under volume 19.719, Book 0, folio 85, section 8, sheet M-346,985 as a private company (*sociedad anónima*) with unlimited duration and with limited liability under the laws of Spain. The share capital of Santander Commercial Paper, S.A. Unipersonal is one hundred and fifty thousand, five hundred (150,500) Euro divided into 1,505 ordinary shares of 100 Euro par value each, all of which are issued and fully paid and each of a single class.

Santander Commercial Paper, S.A. Unipersonal is a financing vehicle for the Group and has no subsidiary companies. The Issuer's exclusive activities are the issuance of commercial paper guaranteed by the Guarantor.

The assets of the Issuer are comprised principally of inter-company debt with the Guarantor.

The Issuer did not have any outstanding secured or unsecured indebtedness other than €5,379.5 million of Euro-commercial paper notes, £154 million Euro-commercial paper notes, CHF70 million Euro-commercial paper notes, U.S.\$403 million Euro-commercial paper notes and U.S.\$308.3 million of U.S. commercial paper notes outstanding as of 17 April 2015 under the Programme.

The registered office of the Issuer is located at the Guarantor's principal executive offices at Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain, and its telephone number is +34 91 257 2059.

There has been no material adverse change in the prospects of the Issuer, nor any significant change in its financial or trading position, since 31 December 2014.

The names, positions and other positions in the Group of each of the directors of the Issuer are as follows:

Name	Position	Other Position in the Group
José Antonio Soler.....	Chairman	Senior Vice-president of the Guarantor
Antonio Torío Martín	Director	Vice-president of the Guarantor
Pablo Roig García Bernalt.....	Director	Vice-President of the Guarantor
María Visitación Díaz Varona.....	Director	Vice-president of the Guarantor

The business address of each of the persons listed above is: Ciudad Grupo Santander, Edificio Amazonia, Avenida de Cantabria, s/n, 28660 Boadilla del Monte, Madrid, Spain.

The above members of the Board of Directors have no potential conflicts of interests between any duties to the Issuer and their private interests and/or other duties.

During the 12 months prior to the date of this Information Memorandum, the Issuer has not been involved in any 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 in the recent past, significant effects on the Issuer's financial position or profitability.

The financial statements for the year ended 31 December 2014 and 31 December 2013, of Santander Commercial Paper, S.A. Unipersonal, prepared in accordance with the regulatory financial reporting framework applicable to the Issuer which consist of the Spanish Commercial Code and all other Spanish corporate law, the Spanish national Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, and its subsequent amendments, the mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation and all other applicable Spanish accounting legislation were audited by the external auditors, Deloitte, S.L. of Plaza Pablo Ruiz Picasso, 1, Madrid, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

Copies of such financial statements (in each case, as translated into English) are incorporated by reference in this Information Memorandum.

BANCO SANTANDER, S.A.

Information about the Guarantor

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

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

The current By-laws, which have been adapted to the current Spanish Companies Act, were approved by the shareholders at the General Shareholders' Meeting held on 30 March 2012 and filed with the Office of the Mercantile Registry on 27 August 2012. However, Article 5 of such By-laws, which relates to the current authorised share capital, was last amended by the share increase carried on 30 January 2015. In addition to this, articles 20, 23, 24, 25, 31 and 35 in relation to the ordinary general shareholders' meeting and its powers; articles 42, 43, 44, 45, 46, 47, 50, 52, 53, 54, 55, 56, 57, 58 and 59 in relation to the board of directors, its committees and the status of the directors; articles 60 and 61 in relation to information tools; and articles 62, 64 y 65 in relation to the annual accounts and distribution of results has been recently amended by the Ordinary General Shareholders' Meeting held on 27 March 2015. These amendments are still pending to be registered and entered into the Mercantile Registry of Cantabria.

As at the date of this Information Memorandum, the Guarantor has a total share capital which is fully issued and paid up of € 7,030,292,943 divided into 14,060,585,886 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

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

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

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

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

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

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

On 17 December 2012, the Guarantor announced that it had resolved to approve the plan for the merger by absorption of Banesto and Banif as part of the restructuring of the Spanish financial sector. This transaction is part of a commercial integration which brought Banesto and Banif under the Santander brand.

After the end of the reporting period, at their respective board of directors meetings held on 9 January 2013, the directors of the Guarantor and Banesto approved the common draft terms of the merger by absorption of Banesto into the Guarantor with the dissolution without liquidation of the former and the transfer en bloc of all its assets and liabilities to the Guarantor, which acquired, by universal succession, the rights and obligations of the absorbed entity. As a result of the merger, the shareholders of Banesto, other than those forming part of the Group, received in exchange shares of the Guarantor.

The ratio at which shares of Banesto were exchanged for shares of the Guarantor, which was determined by the fair value of their assets and liabilities, was 0.633 shares of the Guarantor, of €0.5 par value each, for each share of Banesto, of €0.79 par value each, without provision for any additional cash payment.

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

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

The proposed plan of merger was approved by the shareholders of Banesto at the ordinary and extraordinary general meeting held on 21 March 2013 and by the shareholders of Santander at the ordinary general meeting held on 22 March 2013.

On the 3 May 2013, the public deed formalising the merger by absorption of Banesto by Santander was registered with the Commercial Registry of Cantabria and, consequently, Banesto has been dissolved. On 7 May 2013, the public deed formalizing the merger by absorption of Banif, Unipersonal by Santander was registered with the Commercial Registry of Cantabria and, consequently, Banif, Unipersonal has been dissolved.

At 31 December 2014, Santander had a market capitalisation of €88.0 billion, stockholders' equity of €80.8 billion and total assets of €1,266.3 billion. Santander had an additional €161.8 billion in managed and marketed customer funds at that date. As of 31 December 2014, Santander had 56,245 employees and 5,482 branch offices in Continental Europe, 25,599 employees and 929 branches in the United Kingdom, 85,009 employees and 5,729 branches in Latin America, 15,919 employees and 811 branches in the United States and 2,633 employees in Corporate Activities.

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

In Latin America, the Group has majority shareholdings in banks in Argentina, Brazil, Chile, Mexico, Peru and Uruguay.

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

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

2. In businesses
 - The United States area includes Santander Bank, Santander Consumer USA, which is now consolidated through full consolidation, and Puerto Rico, which was previously included in Latin America.
 - The Santander Asset Management units that were sold are consolidated by the equity method in the various countries in which the Group operates.
3. Other adjustments
 - The annual adjustment was made of the perimeter of the Global Customer Relationship Model between Retail Banking and Global Banking and Markets. This change has no impact on the geographic segments.
 - The Asset Management and Insurance area is now called Private Banking, Asset Management and Insurance. As compared to the figures published in 2013, the domestic private banking units of Spain, Portugal, Italy, Brazil, Mexico and Chile are included in this new business segment (with management shared with local banks), as well as Santander Private Banking in Latin America (previously included under the Retail Banking segment).

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

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

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

The reported segments are:

- Continental Europe. This covers all retail banking business, wholesale banking and private banking and asset management and insurance in this region. This segment includes the following units: Spain, Portugal, Poland, Santander Consumer Finance (which includes the consumer business in Europe, including that of Spain, Portugal and Poland) and Spain's run-off real estate.
- United Kingdom. This includes retail and wholesale banking, private banking and asset management and insurance conducted by the various units and branches of the Group in the country.
- Latin America. This embraces all the Group's financial activities conducted via its subsidiary banks and subsidiaries. It also includes the specialised units of Santander Private Banking, as an independent and globally managed unit, and the Bank's New York branch's business.
- United States. Includes the businesses of Santander Bank, Santander Consumer USA and Puerto Rico.
- *Second (or business) level.* This segments the activity of our operating units by type of business. The reported segments are:
 - Retail Banking. This area covers all customer banking businesses (except those of private banking and Corporate Banking, managed through the Global Customer Relationship Model). Also included in this business area are the results of the hedging positions taken in each country within the scope of the relevant Asset and Liabilities Committee portfolio.
 - Global Wholesale Banking. This business reflects the revenues from global corporate banking, investment banking and markets worldwide including all treasuries managed globally, both

trading and distribution to customers (after the appropriate distribution with Retail Banking customers), as well as equities business.

- Private Banking, Asset Management and Insurance. This includes the contribution to the Group for the design and management of mutual and pension funds and insurance, conducted in some cases via wholly-owned subsidiaries and in others via subsidiaries in which the Group participates through joint ventures with specialists. In both cases, the subsidiaries pay fees to the distribution networks used to place these products (basically the Group's, though not exclusively) via agreements. This means that the result recorded in this segment is net for each of the subsidiaries included, in accordance with their participation and consolidation method, (i.e. deducting the distribution cost of sharing agreements from gross income). It also includes private banking business as defined above.
- Spain's run-off real estate. This unit includes loans to customers in Spain whose activity is mainly real estate development, equity stakes in real estate companies and foreclosed assets.

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

For purposes of the Group's financial statements and this Information Memorandum, the Group has calculated the results of operations of the various units of the Group listed below using these criteria. As a result, the data set forth herein may not coincide with the data published independently by each unit individually.

First level (or geographic):

Continental Europe

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

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

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

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

Spain

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

In order to consolidate the Group's leadership in Spain and increase profitability and efficiency, Santander merged its two large retail networks (Santander and Banesto) and its private bank (Banif) in 2013.

The integration was completed in July 2014, ahead of schedule. All private banking clients were incorporated to Banif's specialised customer attention model. Santander took advantage of the integration

to optimise segmentation and specialisation of branches, with a particular emphasis on private banking, Select and company banking, and increasing coverage in specialised portfolios to almost 100%.

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

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

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

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

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

Portugal

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

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

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

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

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

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

Poland

In February 2012, Santander and KBC Bank NV (KBC) reached an investment agreement for the merger of their subsidiaries in Poland, BZ WBK S.A. and Kredyt Bank S.A., which was put into effect in early 2013, after the necessary approval was received from the Polish financial supervisor (KNF).

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

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

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

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

Santander Consumer Finance

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

The following agreements were entered into in 2014 and strengthen SCF's position in its markets: (i) the agreement with Banque PSA Finance (PSA Peugeot Citroën Group), (ii) the acquisition in Spain of 51% of Financiera El Corte Inglés, and (iii) the acquisition of GE Nordics (GE Money's business in Norway, Sweden and Denmark).

At the end of 2014, this unit had 579 branches and 13,046 employees (direct and assigned), of which 1,240 employees were temporary.

In 2014, this unit generated €891 million in profit attributable to Santander, a €97 million or 12.3% increase compared with 2013. The effective management of asset spreads and the reduction in the cost of deposits absorbed the decrease in interest rates, leading to a €126 million increase in net interest income. Fees and commissions were up by €49 million compared to 2013. Operating expenses rose by €61 million, almost entirely due to the addition of new units in Spain and the Nordic countries (without the impact of changes in the scope of consolidation, operating expenses were down 0.5%). Impairment losses on financial assets were down by €21 million, taking the cost of lending to all-time lows (under 1%), and reflecting a high credit quality for the business.

Customer loans increased by 8%, and managed and marketed customer funds increased by 13%, mainly due to a 51% increase in marketable debt securities. The NPL ratio increased 81 basis points to 4.82% while the coverage decreased to 100.1% from 105.3% in 2013, impacted by the entry of GE Nordics. Without taking into account the impact of GE Nordics, the NPL ratio and coverage ratio would have been 3.86% and 106%, respectively.

Spain run-off real-estate

This segment focuses on: (i) managing real estate clients with whom the Group holds potentially problematic exposures in order to reduce their exposure, and (ii) property and land management, which includes the sale of existing properties and, in certain cases, real estate development and subsequent marketing and sale. This segment also includes our investments in the Spanish Bank Restructuring Asset Management Company, or SAREB, see note 8.b.ii to our consolidated financial statements. As of the end of 2014, the stake in Metrocavesa was consolidated by global integration.

At the end of 2014, this segment had 490 employees.

The Group's strategy in recent years has been directed at reducing exposure to these assets, which at year end totalled €8,114 million net and were down by €2,667 million or 25% year on year.

In 2014, this segment had €583 million of losses attributable to Santander, representing €52 million decrease in losses compared to 2013, resulting from the decrease in interest income, a fall in impairment losses and lower write-downs recorded in 2014.

United Kingdom

As of 31 December 2014, the United Kingdom accounted for 31% of the total managed and marketed customer funds of the Group's operating areas. Furthermore, it accounted for 34% of total loans to customers and 21% of profit attributed to the Parent bank's total operating areas.

Santander UK is focused on the United Kingdom. Around 79% of customer loans are prime mortgages for homes in the United Kingdom. The portfolio of mortgages is of high quality, with no exposure to self-certified or subprime mortgages while buy to let loans represent around 2% of customer loans. As of 31 December 2014, the loan to deposit ratio was 124%, one percentage point higher than at 31 December 2013.

Santander UK's strategy continued to be centered on three priorities: increasing customer loyalty and satisfaction, being the "bank of choice" for United Kingdom businesses, and maintaining balance sheet profitability and strength.

At the end of 2014, the Group had 929 branches and a total of 25,599 employees (direct and assigned), of which 376 employees were temporary, in the United Kingdom.

In 2014, Santander UK contributed €1,576 million profit attributable to Santander, a €427 million or 37% increase from 2013. The ROE was 11.2% (as compared to 8.9% in 2013). The main developments were: (i) a €783 million increase in net interest income due to the reduced cost of retail deposits, (ii) a €421 million increase in operating expenses due to investments in the retail banking and business segments, which were partially offset by the efficiency plans being implemented, and (iii) a €248 million decrease in impairment losses on financial assets mainly due to improved credit quality throughout the range of products we offer and the improved economic environment.

As of 31 December 2014, loans and advances to customers increased by 9%, or 2% excluding the exchange rate impact, and managed and marketed customer funds increased 8%, or 0.4% excluding the exchange rate impact, with a 8% growth in deposits, or 1% excluding the exchange rate impact, and a 9% growth, or 1% excluding the exchange rate impact in marketable debt securities. The NPL ratio decreased 19 basis points to 1.79% and the coverage ratio stood at 41.9%.

Latin America

At 31 December 2014, Grupo Santander had 5,729 branches and 85,009 employees (direct and assigned) in Latin America, of which 3,238 were temporary employees. At that date, Latin America accounted for 26% of the total managed and marketed customer funds, 20% of total loans to customers and 41% of profit attributed to Santander's total operating areas.

The Group's Latin American banking business is principally conducted by the following banking subsidiaries:

	Percentage held at 31 December 2014		Percentage held at 31 December 2014
Banco Santander (Brasil), S.A.	89.02	Banco Santander, S.A. (Uruguay).....	100.00
Banco Santander Chile.....	67.01	Banco Santander Perú, S.A.	100.00
Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	75.05	Banco Santander Río, S.A. (Argentina)	99.30

The Group engages in a full range of retail banking activities in Latin America, although the range of its activities varies from country to country. The Group seeks to take advantage of whatever particular business opportunities local conditions present.

The Group's significant position in Latin America is attributable to its financial strength, high degree of diversification (by countries, businesses, products, etc.), and the breadth and depth of its franchise. Grupo Santander has the region's largest international franchise. It has over 49 million customers and market share of 9.9% in loans and 10.1% in deposits.

Profit attributable to Santander from Latin America in 2014 was €3,150 million, a €29 million or 1% decrease as compared to 2013. However, in local currency and eliminating the perimeter effect (the units of Santander Asset Management ("SAM") that were sold and which is now consolidated by the equity method in the various applicable countries), attributable profit increased by 10%. The ROE reached 14.0% (as compared to 13.8% in 2013). Net interest income fell by €1,041 million or 7%, however in local currency and eliminating the perimeter effect, net interest income increased 3%, mainly affected by the change in business mix toward lower cost of credit products and also reduced spreads. Operating expenses decreased by €505 million or 6%, however, excluding the exchange rate impact and the perimeter effect, expenses grew by 5% mainly due to investment in networks and commercial projects (some traditional and others focused on priority customer segments) and inflationary pressures on employee compensation and contracted services. Impairment losses on financial assets declined €1,342 million or 21% mainly due to the improvement in Brazil continuing the trend started at the beginning of 2013.

As of 31 December 2014, loans and advances to customers increased by 12% (the perimeter effect does not affect loans as SAM does not engage in the credit business). Managed and marketed customer funds increased 15%, with a 13% growth in deposits and a 44% growth in loans due to credit institutions. The NPL ratio decreased 35 basis points to 4.65% and the coverage ratio stood at 84.7% at 31 December 2014.

Detailed below are the performance highlights of the main Latin American countries in which we operate:

Brazil. Santander Brasil is the country's third largest private sector bank by assets and the largest foreign bank in the country. The institution operates in the main regions, with 3,411 branches and points of banking attention, 14,856 ATMs, 44,464 employees and more than 31 million customers at the end of 2014.

During 2014, Santander Brasil's strategy, as a bank with a wide range of products and focus on commercial banking consisted of the following: to improve customer satisfaction and loyalty, to increase the recurring and sustainable nature of transactions, to increase productivity, to strengthen the business lines with lower market share, and to maintain capital and liquidity discipline with the objective of preserving the strength of the balance sheet, to manage regulatory changes and to harness opportunities for growth.

During 2014 Santander Brasil entered into or effected the following agreements/acquisitions:

- Agreement to create a joint venture with Banco Bonsucesso to leverage activities in the payroll business, as well as increase the number of products offered and improve the distribution and marketing capacity. This transaction closed in the first quarter of 2015.
- Acquisition of 50% of SuperBank, a digital platform that sells financial products and services for the individuals segment, with a more efficient structure.
- Purchase of GetNet to strengthen the credit cards business. Santander Brasil has an indirect participation in GetNet with a stake of 88.5%.

Profit attributable to Santander from Brazil in 2014 was €1,558 million, a €19 million or 1% decrease (8% in local currency) as compared to 2013. Total income fell €1,557 million or 11% (or 3% in local currency and at constant perimeter) compared with 2013. This decrease was due to (i) an 11%, or 3% decrease in local currency and excluding the perimeter effect, in net interest income due to the portfolio's change in mix to lower risk products/segments and reduced spreads on loans, and (ii) an 82%, or 81% decrease in local currency and excluding the perimeter effect, in trading gains because of the reduced gains from market activity in 2014. Operating expenses decreased by 8% compared with 2013, however in local currency and at constant perimeter they rose 1%, remaining well below the inflation rate. Credit quality continues to improve as loan loss provisions declined by 25%, or 18% in local currency (the perimeter effect did not have an impact). The ROE stood at 13.3%.

During 2014, total loans increased by 12%, or 10% in local currency, mainly due to an increase in mortgages (34%), where market penetration is still low, and large companies (24%). Loan volumes in segments with low risk/spreads such as agri-business (23%) and loans through the Brazilian Development Bank (21%), where the Group wants to increase its presence, also rose strongly. Managed and marketed customer funds increased by 14% with deposits growing by 12%, loans due to credit institution increasing by 77% and mutual and pension funds growing by 17%. The NPL ratio was 5.05% at 31 December 2014 compared with 5.64% at 31 December 2013. The coverage ratio stood at 95.4% at 31 December 2014.

Mexico. Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, is one of the leading financial services companies in Mexico. In the fourth quarter of 2013, Mexico acquired ING Hipotecaria, which consolidated it as the country's second largest mortgage provider. The Group is the third largest banking group in Mexico by business volume, with a market share in loans of 13.8% and 13.7% in deposits. As of 31 December 2014, it had 1,347 branches throughout the country, 16,933 employees and more than 11 million customers.

Profit attributable to Santander from Mexico in 2014 declined 7% (or 4% eliminating the exchange rate impact and the perimeter effect) to €660 million. Total income increased 1%, or 6% in local currency and eliminating the perimeter effect, supported by increased business activity and effective management of spreads. Operating expenses rose 2%, or 7% excluding the exchange rate impact and the perimeter effect, due to the greater installed capacity, with the opening of 95 branches in 2014. Loan loss provisions declined 6%, or 2% in local currency (the perimeter effect did not have an impact). As a result, operating profit before taxes increased 4%, or 9% in local currency and perimeter. However, the normalisation of the effective tax rate (7.8% in 2013 and 19.5% in 2014) offset the increase in profit before taxes. The ROE was 14.3% at 31 December 2014, compared to 15.2% at 31 December 2013.

Loans increased by 16% while managed and marketed customer funds increased by 15% mainly due to an increase of 16% in deposits.

At 31 December 2014, the NPL ratio increased 18 basis points to 3.84% while the coverage ratio was 86.1%.

Chile

Banco Santander Chile is the leading bank in Chile in terms of assets and customers, with a particular focus on retail activity (individuals and SMEs). As of 31 December 2014, its market share in loans was 19.2% and in deposits 17.6%. Of note is its share of loans to individuals – it is the leader in consumer finance with a market share of 24.6% and in mortgages with a market share of 20.9%. These market shares exclude the investment of Corpbanca in Colombia. As of 31 December 2014, Banco Santander Chile had 475 branches, 12,081 employees, 1,645 ATMs and 3.6 million customers.

Profit attributable to Santander from Chile increased 17% to €509 million (or 35% in local currency and excluding the perimeter effect). Total income decreased 2% with a 2% increase in net interest income and 11% fall in commissions. Operating expenses and loan loss provisions decreased 9% and 13%, respectively.

In local currency and at constant perimeter total income increased by 13%, backed by: (i) an 18% increase in net interest income spurred by growth of volumes in target segments, due to the better mix of deposits and the rise in earnings from the inflation-indexed UF portfolio, and (ii) a 2.2% increase in income from commissions from means of payment (11%), mutual funds (17%) and transaction banking, which offset the impact of the regulatory changes that limited insurance fees the Group can charge to its customers. Operating expenses rose 6% which is slightly above the inflation rate, due to investments in technology. Loan loss provisions were essentially unchanged with a mere increase of 0.5%. For 2014, the ROE was 19.9%, the NPL ratio increased by 6 basis points to 5.97% and the coverage ratio was 52.4%.

In 2014, customer loans increased 6% and managed and marketed customer funds rose by 14% resulting from an 11% increase in customer deposits and a 37% growth in mutual and pension funds.

Argentina

Santander Río is the country's leading private sector bank in terms of assets, loans and customer funds, with market shares of 9.2% in lending and 9.5% in deposits at 31 December 2014. At that date, it had 396 branches, 7,275 employees and 2.5 million customers.

During the year, lending and deposits increased 7% and 15%, respectively. Nevertheless, in local currency lending rose 23%, focused on lending to SMEs and companies, deposits increased 31%, with similar growth in time deposits (40%) and demand deposits (26%). Loan and deposit growth and trends were aligned with the market.

Profit attributable to Santander was €298 million, an 10% decrease compared with 2013. However, in local currency profit attributable to Santander increased 33% due to improved net interest income and fee and commissions income. At the end of 2014, the ROE was 33.5% and the NPL ratio was 1.61% compared with 33.5% and 1.42% at the end of 2013, respectively.

Uruguay

The Group maintained its leadership in Uruguay. It is the largest private sector bank in the country, with a market share in lending of 17.7% and 15.1% in deposits. Overall, the Group had 89 branches, 1,221 employees and over 500,000 customers in the country at 31 December 2014.

Lending increased by 17%, with particular growth in individual customers and SMEs, and deposits rose by 18%, in each case compared with 2013. Attributable profit in Uruguay was €54 million, an increase of 2%, or 16% in local currency, mainly due to the increase in net interest income and income from fees and commissions.

Peru

As of 31 December 2014, Banco Santander Perú, S.A. had 1 branch and 117 employees. The unit's activity is focused on companies and on the Group's global customers. A new auto finance company began to operate in 2013, together with a well-known international partner with considerable experience in Latin America. The company has a specialised business model, focused on service and with products that enable customers to acquire any brand of new car from any dealer in Peru.

Profit attributable to Santander from Peru was €24 million, a 25% increase, or a 31% increase in local currency, compared with 2013.

Colombia

Banco Santander de Negocios Colombia S.A. began operating in January 2014. The bank targets the corporate and business markets, with a special focus on global customers and local customers aiming to expand to gain international presence.

Colombia had a €5.1 million loss attributable to Santander.

United States

The U.S. segment includes Santander Holdings USA ("**SHUSA**"), a bank holding company with two distinct lines of business: retail banking, via its subsidiary Santander Bank and Banco Santander Puerto Rico since 2014, and consumer finance business through its stake in SCUSA.

The business model of Santander Bank, with 705 branches, 10,060 employees and two million customers at 31 December 2014, focuses on retail customers and companies. It conducts business in the north east of the United States, an area that generates 22% of the country's GDP.

Santander Puerto Rico had 54 branches, 410,000 customers, 1,430 employees and market shares of 10.0% in lending and 11.7% in deposits, as well as a network of 52 shops that tend to our consumer clients, in each case at 31 December 2014. It focuses on individuals and companies.

SCUSA, based in Dallas, has 4,429 employees and specialises in consumer finance, mainly auto finance and leasing of new and used vehicles (mainly focused on retail customers, although also on vehicle dealers), and on unsecured consumer loans, as well as servicing of portfolios for third parties.

At 31 December 2013, our stake in the company was recorded by the equity method. In the first quarter 2014, SCUSA completed an initial public offering of shares at a price of \$24 per share, and is now listed on the New York Stock Exchange. After this transaction, we retain a 60.5% stake; as a result, since 2014 we are fully consolidating SCUSA's financial statements.

The U.S. segment accounted for 7% of the total managed and marketed customer funds, 9% of total loans to customers and 11% of profit attributed to the Parent bank's total operating areas.

The U.S. segment obtained attributable profit of €800 million in 2014, in line with the €803 million obtained in 2013. Total income increased €3,158 million or 127%, however, excluding the perimeter effect (as SCUSA was fully consolidated in 2013 and as Puerto Rico was included in this segment in 2013) and exchange rates, total income increased by 16%. This growth was mostly due to the increase in lending by SCUSA whilst Santander Bank was affected by the reduction in the investments portfolio that impacted net interest income, as well as the decline in fee income largely due to new regulations limiting fees charged on overdrafts. Operating expenses rose €589 million or 41%, or 8% eliminating the perimeter effect, largely due to increased expenses associated with regulatory compliance. Loan loss provisions increased €2,186 million or €713 million eliminating the perimeter effect, mainly due to SCUSA's lending growth.

For 2014, ROE was 7.96% and the NPL ratio was 2.54%, which represents a 109 and 55 basis point reduction from 2013, respectively. The coverage ratio stood at 192.8% at year end.

Second or business level:

Retail Banking

Retail Banking's profit attributable to Santander in 2014 increased 16%, or 26% excluding the effect of the full consolidation of SCUSA, the perimeter effect and exchange rates, to €5,871 million. The results were impacted by: (i) an 12% increase in net interest income (7% without the perimeter effect and exchange rates), (ii) a 1% decrease in operating expenses as the depreciation of Latin American currencies offset the perimeter effect and the investments made to develop the network and businesses, and (iii) a 3% increase in loan loss provisions.

In 2014, Retail Banking generated 85% of the operating areas' total income and 77% of profit attributable to Santander. This segment had 173,670 employees as of 31 December 2014, of which 6,202 were temporary.

By geographic area, the main features in 2014 were as follows:

- Continental Europe posted a profit attributable to Santander 71.4% higher than in 2013, due to increased net interest income and lower provisions.
- Attributable profit in the U.K. increased 43%, backed by increased net interest income and reduced provisions partly offset by increased operating costs.
- Latin America's attributable profit decreased by 5%. However, in local currency they increased 6% resulting from lower provisions.
- Attributable profit in the U.S. grew 5% because of a 17% increase in total income due to the increase in net interest income. On the other hand, operating expenses increased (mainly due to increased regulatory compliance costs), and loan loss provisions grew (mainly due to the increase in lending by SCUSA and the increase in the unsecured consumer loan portfolio).

Global Wholesale Banking

This area covers our corporate banking, treasury and investment banking activities throughout the world.

Global Wholesale Banking generated 12% of total income and 21% of the profit attributable to Santander in 2014. This segment had approximately 7,400 employees at 31 December 2014.

The attributable profit in 2014 was €1,614 million, an increase of 7% compared to 2013. This performance was impacted by an increase in net interest income (3%) and income from fees and commissions (13%), and to a lesser extent from a decrease in net gains on financial assets and liabilities (-36%), increased investments in franchises under development (4%) and a decrease in loan loss provisions (-42%).

Global Wholesale Banking has 3 major areas: (i) global transaction banking (which includes cash management, trade finance and basic financing and custody), (ii) financing solutions and advisory (which includes the units that originate and distribute corporate loans or structured financing, the teams that originate bonds and securitisation, the corporate finance units (mergers and acquisitions, primary equity markets, investment solutions for corporate clients via derivatives), as well as asset and capital structuring), and (iii) global markets (which include the sale and distribution of fixed income and equity derivatives, interest rates and inflation, the trading and hedging of exchange rates, short-term money markets for the Group's wholesale and retail clients, management of books associated with distribution, brokerage of equities, and derivatives for investment and hedging solutions).

Private Banking, Asset Management and Insurance

This segment comprises all of the Group's companies whose activity is private banking, management of mutual and pension funds and insurance.

Since December 2013, Santander holds a 50% ownership interest in SAM and control this company jointly with Warburg Pincus and General Atlantic. As a result, since December 2013, this company is accounted for by the equity method.

In 2014, this segment accounted for 3% of total income and 9% of attributable profit to Santander. Profit attributable to Santander by Private Banking, Asset Management and Insurance in 2014 was €391 million or 125% higher than in 2013. Without the effect of the changes in the scope of consolidation (assuming the sale of 50% of the management companies took place before 2013 and that Private Banking was included in 2013), and excluding the impact of exchange rates, the increase would have been 31.3%. This increase was due to higher total income, flat operating expenses and lower Santander loan loss provisions.

Private Banking

Attributable profit was €319 million (15.7% and 16.9% in constant euros) with a good evolution of gross income, operating expenses and loan loss provisions.

The process of developing and implementing a homogeneous model, which offers comprehensive solutions for the financial needs of the Group's high net worth clients, through specialised commercial units in the various countries in which it operates and supported by the Group's other global areas, continued during 2014. An important milestone in 2014 was integrating the three specialised networks in Spain, positioning Santander as the reference financial institution for high net worth clients in the country.

Asset Management

Attributable profit in 2014 was €114 million, 43% higher than in 2013, after absorbing the sale of 50% of the SAM units and the depreciation of Latin American currencies. On a comparable basis (assuming the sale of 50% of the management companies took place before 2013), attributable profit doubled due to the greater contribution of the shared fund management entities as well as the increase in business volume. Total funds under management in 2014 were 17% higher than in 2013 at €162,000 million at constant exchange rates, of which €136,000 million were mutual and pension funds, and the remainder were clients' managed portfolios.

Under the strategic alliance with Warburg Pincus and General Atlantic to promote the global asset management business, the area continued to advance in its marketing model, backed by the strength and knowledge of local markets.

Insurance

Santander Insurance posted attributable profit in 2014 of €270 million, 15% more than in 2013. Eliminating the impact of exchange rates, attributable profit increased by 24%, mainly due to the increase in income from companies accounted for by the equity method. This line item represents the contribution of our joint venture insurers (at 50%) in our various strategic alliances.

The Group strengthened its bancassurance business via strategic alliances with insurers that are global leaders, thereby enabling our clients to access a larger and more innovative range of products. Santander entered into an agreement in 2014 with CNP to develop the insurance business of Santander Consumer Finance in Europe, and extend the cooperation agreement with Aegon to the Portuguese market. The

Group's strategic agreements with Zurich in five Latin American countries, with Aegon in Spain and Aviva in Poland continued to meet our objectives.

Spain's run-off real estate

See above under "*First level (or geographic)—Continental Europe—Spain's run-off real estate.*"

Corporate Activities

At the end of 2014, this area had 2,633 employees (direct and assigned) of which 957 were temporary.

This area is responsible for, on the one hand, a series of centralised activities to manage the structural risks of the Group and of Santander. It executes the necessary activities for managing interest rates, exposure to exchange-rate movements and the required levels of liquidity in the Group. On the other hand, it acts as the Group's holding entity, managing the Group's global capital as well as that of each of the business units.

The Corporate Activities area had a loss of €1,789 million in 2014, a 14% decrease as compared to 2013. This decrease was primarily due to an improvement in net interest income from the lower cost borrowing, increased trading gains (better results from management of assets and liabilities), and a growth in gains in other assets.

Within corporate activities, the financial management area conducts the global functions of balance sheet management, both structural interest rate and liquidity risk management (the latter via issuances and securitisations), as well as the structural position of exchange rates:

- Interest rate risk is actively managed by taking market positions to soften the impact of interest rate changes on net interest income, and is done via bonds and derivatives of high credit quality and liquidity and low consumption of capital.
- The objective of structural liquidity management is to finance the Group's recurring activity in optimum conditions of maturity and cost, maintaining an appropriate profile (in volumes and maturities) by diversifying the funding sources.
- Management of the exposure to exchange rate movements is also carried out on a centralised basis. This management (which is dynamic) is conducted through exchange-rate derivatives, seeking to optimise at all times the financial cost of hedging.

Hedging of net investments in the capital of businesses abroad aims to neutralise the impact on capital of converting into euros the balances of the Group's material subsidiaries that are consolidated and whose currency is not the euro.

The Group's policy seeks to mitigate the impact, which, in situations of high volatility in the markets, sudden changes in interest rates would have on these exposures of a permanent nature. At the end of 2014, the Group had €15,546 million hedged relating to its investments in Brazil, the U.K., Mexico, Chile, the U.S., Poland and Norway and the instruments used are spot, foreign exchange forwards or tunnel options.

Exposures of a temporary nature – those regarding results that the Group's units will contribute in the next 12 months in non-euro currencies – are also managed on a centralised basis in order to limit their volatility in euros.

Meanwhile, and separately from the financial management described here, Corporate Activities manages all capital and reserves and allocations of capital to each of the units, as well as providing the liquidity that some of the business units might need. The price at which these transactions are carried out is the market rate (euribor or swap) plus a risk premium associated with the hold of the funds during the life of the transaction, which in terms of liquidity, the Group supports.

Lastly, and marginally, the equity stakes of a financial nature that the Group takes within its policy of optimizing investments are reflected in Corporate Activities.

Marketing of products and services

Policies

The Group manages the risk that may arise from an inadequate sale of products or an improper provision of services by the Group in accordance with the corporate framework for the marketing of products and services.

The purpose of this corporate framework is to establish a standard system for the marketing of products and services at the Group, in order to minimise the Group's exposure to risks in all the phases of marketing (approval, pre-sale, sale and follow-up).

In order to adapt the framework to the Bank and to the Group's subsidiaries, it is adopted by the respective boards of directors, and made binding and adapted where necessary to ensure compliance with the applicable local regulatory requirements.

Governance and organisation

The organisational structure for managing the risk that might arise from the incorrect selling of products or services is based, at both parent and local levels, on the marketing committees, the monitoring committees and at the conduct risk management offices.

The corporate marketing committee (CCC) is the Group's highest decision-making body regarding the approval of products and services. It is composed of representatives of the following divisions: risk, financial management, technology and operations, the general secretary's division, the controller's unit and management control, internal audit, commercial banking and global wholesale banking.

The CCC assesses the suitability of the product or service for the environment in which it is to be marketed, placing particular emphasis on ensuring that:

- Each product or service is sold by competent sales personnel.
- Customers are furnished with the required appropriate information.
- The product or service fits the customer's risk profile.
- Each product or service is assigned to the appropriate market, not only from a legal or tax standpoint, but also with regard to the financial culture of that market.
- The product or service meets the requirements of the corporate marketing policies and, in general, the applicable internal or external regulations.

Also, the local marketing committees approve new products and channel the related validation proposals to the CCC.

In their respective approval processes the marketing committees' actions are guided by a risk-based approach, from the view point of both the Bank and the customer.

The corporate monitoring committee is the Group's decision-making body regarding the monitoring of products and services. It is composed of representatives from the following divisions: internal audit, the general secretary's division, risk, and the business areas concerned (with the ongoing representation of commercial banking). It meets weekly, and considers and resolves specific issues relating to the selling of products and services at all the Group's units.

The purpose of the corporate conduct risk management office is to provide the relevant governing bodies with the information required to enable them: (i) to conduct an appropriate analysis of risk in the validation phase, with a twofold focus: impact on the Bank and impact on the customer; and (ii) to monitor products over their life cycle.

At local level conduct risk management offices have been established, which are responsible, inter alia, for promoting a corporate culture of correct marketing practices and ensuring that products are approved and monitored in the respective local spheres in keeping with the corporate framework.

Conduct in securities markets

Policy

This is set by the code of conduct in the securities markets (CCMV), complemented, inter alia, by the code of conduct for analysis activities, the research policy manual and the procedure for detecting, analyzing and communicating transactions suspected of market abuse.

Governance and organisation

The organisation is centred on the corporate compliance office and local and subsidiaries' compliance divisions.

The Group's compliance department performs the following main functions in relation to the rules of conduct in securities markets:

- Registering and controlling sensitive information that is known by and/or generated at the Group.
- Keeping lists of the securities affected and the initiated persons, and monitoring transactions with these securities.
- Monitoring transactions with restricted securities depending on the type of activity, portfolios or groups to which the restriction applies.
- Receiving and attending to notifications of, and requests for, authorisation of transactions for our own account.
- Controlling transactions for the accounts of the persons subject to compliance with the code of conduct.
- Managing breaches of the CCMV.
- Resolving any issues raised concerning the CCMV.
- Recording and resolving conflicts of interest and the situations that might give rise to them.
- Assessing and managing any conflicts that might arise in the analysis activity.
- Maintaining the files required to control compliance with the obligations established in the CCMV.
- Developing regular contact with the regulators.
- Organizing training and, in general, performing the actions required to apply the CCMV.
- Analyzing actions that might constitute market abuse and, where appropriate, reporting them to the supervisors.

Criminal risk prevention

The Group's compliance department has also been entrusted with the management of the criminal risk prevention model, which resulted from the entry into force of Organic Law 5/2010, which made legal entities criminally responsible for crimes committed on their account or for their benefit by directors or representatives or employees as a result of a lack of control.

In 2014, the Group obtained AENOR certification for the risk management system for crime prevention, of which the whistleblowing channel is a key component.

There are 26 whistleblowing channels in place at the Group. In 2014, complaints were made through six of them, in Germany, Brazil, the US, the U.K., Poland and Spain.

In 2014, the total number of complaints received through all channels was over 400. They were processed in accordance with the Group's internal procedures. The most common grounds for the complaints were employees' failure to comply with the internal regulations, through either inappropriate behaviour or non-observance of the Group's policies or procedures.

Relationships with supervisors and dissemination of information to the markets

The compliance department is responsible for responding to the information requirements of the regulatory and supervisory bodies, both in Spain and in other countries where the Group operates, monitoring implementation of the measures arising from the reports or inspections conducted by these bodies and supervising the way in which the Group disseminates institutional information in the markets, transparently and in accordance with the regulators' requirements. The risk, regulation and compliance oversight committee (prior to its creation in June 2014, the audit committee) is informed of the main issues at each of its meetings.

In 2014, the Bank published 90 significant events, which may be consulted on the Group's website and on that of the CNMV.

Organisational Structure

Banco Santander, S.A. is the parent company of the Group which was comprised at 31 December 2014 of 833 companies that consolidate by the global integration method. In addition, there are 209 companies that are accounted for by the equity method.

Trend Information

Overview

Grupo Santander believes it has a unique model and franchise to compete in the global retail banking landscape. At its core lies:

- ***A diversified presence.*** The Group's well-balanced emerging-mature markets mix is delivering growth above our peers.
- ***Strong retail and commercial operations.*** The Group is or aims to be one of the top 3 banks in its core 10 markets, which gives it access to one billion customers.
- ***Autonomous subsidiaries in liquidity and capital.*** The Group is composed of subsidiaries that are autonomous in capital and liquidity. This autonomy creates incentives for good local management and enhances its stability and flexibility.
- ***International talent management, a common culture and a top global brand.*** The Group is able to attract and retain world class talent. It has a shared approach as to how it wants to operate and it has created a powerful, global brand.
- ***Prudent risk management and balance sheet strength, underpinned by the Group's solid control framework.*** Santander has delivered a dividend every year for more than 50 years, including during the financial crisis.
- Investment in innovation, driving digital transformation, and sharing best practice. Grupo Santander's global scale enables it to add value to its subsidiaries around the world.

The Group has reinforced its capital and risk management. Its €7.5 billion capital increase in January 2015 was done for two reasons. First, it wanted to be able to accelerate organic growth, with the new capital allowing it prudently to seek to gain market share now that most of its core markets are forecast to grow once again. Second, it wanted to be able to have in place a sustainable dividend policy and aim to increase the cash component of the pay-out to between 30 to 40% of recurrent earnings.

Looking ahead, the Group aims to have one of the best overall capital ratios while focusing on organic growth in Europe and the Americas, strategic capital allocation and the application of stricter criteria to any acquisitions it considers. It is working on a Group Wide Risk Management Program to enhance its holistic and timely control of all types of risks. The Group's goal is to achieve a predictable risk profile,

with NPLs below 5%. The most important aspect of risk management, however, is strong corporate governance, and its board of directors is and will continue to be fully involved in the Group's risk oversight and management.

Administrative, Management and Supervisory Bodies

The By-laws of the Guarantor (Article 41) provide that the maximum number of Directors is 22 and the minimum number 14. The Board of Directors of the Guarantor is presently made up of 16 directors.

The following table displays the composition, position and structure of the Board of Directors and its Committees.

For this sole purpose, the business address of each of the persons listed below is: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid.

	Executive committee	Risk committee	Audit committee	Appointment committee	Remuneration committee	Risk supervision, regulation and compliance committee	International committee	Innovation and technology committee	Executive	Non-Executive	Date of first appointment
<i>Board of directors</i>											
Chairperson Ms. Ana Botín-Sanz de Sautuola y O'Shea	C						C	C			04.02.1989
Vice Chairman Mr. José Antonio Álvarez Álvarez											13.01.2015
First Deputy Chairman Mr. Bruce Carnegie-Brown				C	C	C				I	25.11.2014
Second Deputy Chairman Mr. Matías Rodríguez Inciarte		C									07.10.1988
Third Deputy Chairman Mr. Guillermo de la Dehesa Romero										E	24.06.2002
Fourth Deputy Chairman Mr. Rodrigo Echenique Gordillo											24.06.2002
<i>Members</i>											
Ms. Sheila C. Bair										I	27.01.2014
Mr. Javier Botín-Sanz de Sautuola y O'Shea										P	25.07.2004
Ms. Sol Daurella Comadrán										I	25.11.2014
Mr. Carlos Fernández González										I	25.11.2014
Ms. Esther Giménez-Salinas i Colomer										I	30.03.2012
Mr. Ángel Jado Becerro de Bengoa										I	11.06.2010
Mr. Juan Rodríguez Inciarte											24.03.2008
Ms. Isabel Tocino Biscarolasaga										I	26.03.2007
Mr. Juan Miguel Villar Mir			C							I	07.05.2013
<i>General Secretary and of the Board</i>											
Mr. Ignacio Benjumea Cabeza de Vaca ⁽¹⁾											

⁽¹⁾ Not director

C: Chairman V: Vice Chairman P: Proprietary I: Independent E: External, neither proprietary nor independent

Principal Activities Outside the Guarantor

The current directors of the Guarantor at the date hereof carry out among others the following functions in other companies:

Name or corporate name of Director	Name of listed company	Position
Ms. Ana Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	External Director
Mr. Matías Rodríguez Inciarte	Financiera Ponferrada, S.A., SICAV	External Director
Mr. Guillermo de la Dehesa Romero	Amadeus IT Holding, S.A.	External Vice Chairman
Mr. Rodrigo Echenique Gordillo*	NH Hoteles, S.A.	Non-Executive Chairman
	Inditex, S.A.	External Director
Ms. Isabel Tocino Biscarolasaga	ENCE Energía y Celulosa, S.A.	External Director
	Enagás, S.A.	External Director
Mr. Juan Miguel Villar Mir	Obrascón Huarte Lain, S.A. (OHL)	Chairman (proprietary)
	Abertis Infraestructuras, S.A.	Representative of OHL (proprietary vice chairman)
	Inmobiliaria Colonial, S.A.	Representative of Grupo Villar Mir (proprietary vice chairman)
Mr. Fernando de Asúa Álvarez**	Técnicas Reunidas, S.A.	External Vice Chairman

(*) At 31 December 2014, Mr. Rodrigo Echenique Gordillo was also non-executive chair of Vocento, S.A.

(**) He resigned as a director on 12 February 2015.

There are no potential conflicts of interests between any duties owed to the Guarantor by the directors and their private interests and/or other duties.

Major Shareholders

At 31 December 2014, 0.747% of the Guarantor's share capital was held by members of the board of directors.

The Guarantor is not aware of any person which exerts or may exert control over the Guarantor within the terms of Article 4 of Ley 24/1988, de 28 de julio, del Mercado de Valores (Law 24/1988 of 28 July of the Securities Market).

The Guarantor is not aware of any arrangements, the operation of which may, at a date subsequent to that of the date hereof, result in a change in control of the Guarantor.

Guarantor's financial statement

The Guarantor prepares audited consolidated and non-consolidated annual financial statements.

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2014 and 2013 financial years were audited by the external audit firm Deloitte, S.L. There are no reservations or qualifications of the auditors in relation to the consolidated and non-consolidated annual financial statements of the Guarantor for the 2014 and 2013 financial years.

As at the date of this Information Memorandum, the Guarantor has a total share capital which is fully-issued and paid up of € 7,030,292,943 divided into 14,060,585,886 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

Legal Proceedings

Tax-related litigation

As of the date of this Information Memorandum, the main tax-related proceedings concerning the Group were as follows:

- Legal actions filed by Santander Brasil and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9% to 15% stipulated by Interim Measure 413/2008, ratified by Law 11,727/2008, a provision having been recognised for the amount of the estimated loss.
- Legal actions filed by certain Group companies in Brazil claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8% and 10% from 1994 to 1998. No provision was recognised in connection with the amount considered to be a contingent liability.
- Legal actions filed by Banco Santander Brasil, S.A. (currently Santander Brasil) and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander Brasil, S.A., the legal action was declared unwarranted and an appeal was filed at the Federal Regional Court. In September 2007 the Federal Regional Court found in favour of Banco Santander Brasil, S.A., but the Brazilian authorities appealed against the judgment at the Federal Supreme Court. In the case of Banco ABN AMRO Real S.A. (currently Santander Brasil), in March 2007 the court found in its favour, but the Brazilian authorities appealed against the judgment at the Federal Regional Court, which handed down a decision partly upholding the appeal in September 2009. Santander Brasil filed an appeal at the Federal Supreme Court. Law 12,865/2013 established a programme of payments or deferrals of certain tax and social security debts, under which any entities that availed themselves of the programme and withdrew the legal actions brought by them were exempted from paying late-payment interest. In November 2013 Santander Brasil partially availed itself of this programme but only with respect to the legal actions brought by the former Banco ABN AMRO Real S.A. in relation to the period from September 2006 to April 2009, and with respect to other minor actions brought by other entities in its Group. However, the legal actions brought by Santander Brasil and those of Banco ABN AMRO Real S.A. relating to the periods prior to September 2006, for which the estimated loss was provided for, still subsist.
- Santander Brasil and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (IRPJ and CSLL) on the ground that the relevant requirements under the applicable legislation were not met. No provision was recognised in connection with the amount considered to be a contingent liability.
- Santander Brasil and other Group companies in Brazil are involved in several administrative and legal proceedings against various municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services. No provision was recognised in connection with the amount considered to be a contingent liability.
- In addition, Santander Brasil and other Group companies in Brazil are involved in several administrative and legal proceedings against the tax authorities in connection with the taxation for social security purposes of certain items which are not considered to be employee remuneration. No provision was recognised in connection with the amount considered to be a contingent liability.
- In December 2008 the Brazilian tax authorities issued an infringement notice against Santander Brasil in relation to income tax (IRPJ and CSLL) for 2002 to 2004. The tax authorities took the view that Santander Brasil did not meet the necessary legal requirements to be able to deduct the goodwill arising on the acquisition of Banespa (currently Santander Brasil). Santander Brasil filed an appeal against the infringement notice at Conselho Administrativo de Recursos Fiscais ("CARF"), which on 21 October 2011 unanimously decided to render the infringement notice null and void. The tax authorities have appealed against this decision at a higher administrative level (Tax Appeal High Chamber). In June 2010 the Brazilian tax authorities issued infringement notices in relation to this same matter for 2005 to 2007. Santander Brasil filed an appeal against these procedures at CARF, which was partially upheld on 8 October 2013. This decision has been appealed at the higher instance of CARF. In December 2013 the Brazilian tax authorities issued the infringement notice relating to 2008, the last year for amortisation of the goodwill. This infringement notice was appealed by Santander Brasil in the Federal Tax Office, and Santander Brasil had a favorable decision, which has been appealed at CARF by the tax authorities. Based on the advice of its external legal counsel and in view of the first decision by CARF, the Group considers that the stance taken by the Brazilian tax authorities is incorrect, that there are sound defence arguments to appeal against the infringement notices and that, accordingly, the risk of incurring a loss is remote. Consequently, no provisions have

been recognised in connection with these proceedings because this matter should not affect the consolidated financial statements.

- In May 2003 the Brazilian tax authorities issued separate infringement notices against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. (DTVM) and Banco Santander Brasil, S.A. (currently Santander Brasil) in relation to the Provisional Tax on Financial Movements (CPMF) with respect to certain transactions carried out by DTVM in the management of its customers' funds and for the clearing services provided by Banco Santander Brasil, S.A. to DTVM in 2000, 2001 and the first two months of 2002. Both entities appealed against the infringement notices at CARF, with DTVM obtaining a favourable decision and Santander Brasil an unfavourable decision. Both decisions were appealed by the losing parties at the Higher Chamber of CARF, and the appeal relating to Santander Brasil is pending a decision. With respect to DTVM, on 24 August 2012, it was notified of a decision overturning the previous favourable judgment and lodged an appeal at the Higher Chamber of CARF on 29 August 2012. In the opinion of its legal advisors, the Group considers that the tax treatment applied in these transactions was correct. No provision was recognised in the consolidated financial statements in relation to this litigation as it was considered a contingent liability.
- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros, S.A. (currently Zurich Santander Brasil Seguros e Previdência S.A.), as the successor by merger to ABN AMRO Brazil Dois Participações, S.A., in relation to income tax (IRPJ and CSL) for 2005. The tax authorities questioned the tax treatment applied to a sale of shares of Real Seguros, S.A. made in that year. The bank lodged an appeal against this infringement notice which was upheld in part by CARF, the Federal Union having filed a special appeal. As the former parent of Santander Seguros, S.A. (Brasil), Santander Brasil is liable in the event of any adverse outcome of this proceeding. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- Also, in December 2010, the Brazilian tax authorities issued infringement notices against Santander Brasil in connection with income tax (IRPJ and CSLL), questioning the tax treatment applied to the economic compensation received under the contractual guarantees provided by the sellers of the former Banco Meridional. The bank filed an appeal for reconsideration against this infringement notice. On 23 November 2011, CARF unanimously decided to render null and void an infringement notice relating to 2002 with regard to the same matter, and the decision was declared final in February 2012. The proceedings relating to the 2003 to 2006 fiscal years are still in progress although, based on the advice of its external legal counsel, the Group considers that the risk of incurring a loss is remote.
- In June 2013, the Brazilian tax authorities issued an infringement notice against Santander Brasil as the party liable for tax on the capital gain allegedly obtained in Brazil by the entity not resident in Brazil, Sterrebeeck B.V., as a result of the "incorporação de ações" (merger of shares) transaction carried out in August 2008. As a result of the aforementioned transaction, Santander Brasil acquired all of the shares of Banco ABN AMRO Real, S.A. and ABN AMRO Brasil Dois Participações, S.A. through the delivery to these entities' shareholders of newly issued shares of Santander Brasil issued in a capital increase carried out for that purpose. The Brazilian tax authorities take the view that in the aforementioned transaction Sterrebeeck B.V. obtained income subject to tax in Brazil consisting of the difference between the issue value of the shares of Santander Brasil that were received and the acquisition cost of the shares delivered in the exchange. In December 2014 the Group appealed against the infringement notice at CARF after the appeal for reconsideration lodged at the Federal Tax Office was dismissed. Based on the advice of its external legal counsel, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defence arguments to appeal against the infringement notice. Accordingly, the risk of incurring a loss is remote. Consequently, the Group has not recognised any provisions in connection with these proceedings because this matter should not affect the consolidated financial statements.
- In November 2014 the Brazilian tax authorities issued an infringement notice against Santander Brasil in relation to income tax (IRPJ and CSLL) for 2009 questioning the tax-deductibility of the amortisation of the goodwill of Banco ABN AMRO Real S.A., performed prior to the absorption of this bank by Santander Brasil, but accepting the amortisation performed prior to the merger. On the advice of its external legal counsel, Santander Brasil has lodged an appeal against this decision at the

Federal Tax Office. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability. Santander Brasil has also appealed against infringement notices issued by the tax authorities questioning the tax deductibility of the amortisation of the goodwill arising on the acquisition of Banco Sudameris. No provision has been recognised in this connection as it is considered to be a contingent liability.

- Legal action brought by Sovereign Bancorp, Inc. (currently Santander Holdings USA, Inc.) claiming its right to take a foreign tax credit in connection with taxes paid outside the United States in fiscal years 2003 to 2005 in relation to financing transactions carried out with an international bank. Santander Holdings USA Inc. considers that, in accordance with applicable tax legislation, it is entitled to recognise the aforementioned tax credits as well as the related issuance and financing costs. In addition, if the outcome of this legal action is favourable to the interests of Santander Holdings USA, Inc., the amounts paid over by the entity in relation to this matter with respect to 2006 and 2007 would have to be refunded. In 2013 the US courts found against two taxpayers in cases with a similar structure. In the case of Santander Holdings USA, Inc. the proceeding was scheduled for 7 October 2013, although it was adjourned indefinitely when the judge found in favour of Santander Holdings USA, Inc. with respect to one of the main grounds of the case. Santander Holdings USA, Inc. is expecting the judge to rule on whether his previous decision will result in the proceedings being stayed in the case or whether other matters need to be analysed before a final decision may be handed down. If the decision is favourable to Santander Holdings USA, Inc.'s interests, the US government has stated its intention to appeal against it. The estimated loss relating to this proceeding was provided for.
- The Santander UK group has proactively engaged with HM Revenue & Customs to resolve a number of outstanding legacy tax matters. It has not however been possible to satisfactorily resolve all of these matters and as a result litigation proceedings have commenced in relation to a small number of remaining issues. All of these items relate to periods prior to Santander UK's adoption of the Code of Practice on Taxation for Banks in 2010. A provision for the full amount of tax in dispute has been made through the tax charge in previous years

At the date of approval of this Information Memorandum certain other less significant tax-related proceedings were also in progress.

Non-tax-related proceedings

As of the date of this Information Memorandum, the main non-tax-related proceedings concerning the Group were as follows:

- Customer remediation: claims associated with the sale by Santander UK of certain financial products (principally payment protection insurance or PPI) to its customers.

Payment protection insurance is a UK insurance product offering payment protection on unsecured personal loans (and credit cards). The product was sold by all UK banks. The mis-selling issues are predominantly related to business written before 2009. The nature and profitability of the product has changed materially since 2008.

On 1 July 2008, the UK Financial Ombudsman Service ('FOS') referred concerns regarding the handling of PPI complaints to the UK Financial Services Authority ('FSA'). On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling as an issue of wider implication. The FSA published its Policy Statement on 10 August 2010, setting out the evidence and guidance on the fair assessment of a complaint and the calculation of redress, as well as a requirement for firms to reassess historically rejected complaints which had to be implemented by 1 December 2010.

On 8 October 2010, the British Bankers' Association ('BBA'), the principal trade association for the UK banking and financial services sector, filed on behalf of certain financial institutions (which did not include Santander UK plc) an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008. The judicial review was heard in the

courts in January 2011 and on 20 April 2011 judgment was handed down by the High Court dismissing the proceeding brought by the BBA.

Santander UK did not participate in the legal action undertaken by other UK banks and had been consistently making provisions and settling claims with regards to PPI complaints liabilities.

The following table shows information on the total claims received up to 31 December 2014 and the resolution thereof:

(number of claims, in thousands)

	2014	2013	2012
Claims outstanding at the beginning of the period	14	31	1
Claims received ⁽¹⁾	246	363	437
Claims rejected as being invalid ⁽²⁾	(194)	(298)	(258)
Resolved claims	(46)	(82)	(149)
Claims outstanding at the end of the period	19	14	31

⁽¹⁾ Includes rejected claims relating to customers that had never purchased payment protection insurance from Santander UK.

⁽²⁾ Customers are entitled to appeal to the Financial Ombudsman Service (FOS) if their claims are rejected. The FOS may uphold or reject an appeal and if an appeal is upheld, Santander UK is required to compensate the customer. The table shows the result of appeals relating to paid or rejected claims.

At 31 December 2014, the provision recognised in this connection totalled GBP 129 million.

In 2014, there was a slowdown in the fall in the number of claims compared to previous years but it is expected that claims will be continued to be received for a longer period than initially envisaged and, accordingly the provisions have been increased by GBP 95 million. The monthly cost of compensation fell to GBP 11 million compared to a monthly average of GBP 18 million in 2013 and of GBP 26 million in 2012. The percentage of unjustified claims continues to be high.

The provision recognised at the end of 2014 represents the best estimate by Group management, taking into account the opinion of its advisers and of the costs to be incurred in relation to any compensation that may result from the redress measures associated with the sales of payment protection insurance (PPI) in the UK. The provision was calculated on the basis of the following key assumptions resulting from judgments made by management:

- Volume of claims- estimated number of claims;
- Percentage of claims lost- estimated percentage of claims that are or will be in the customers' favor; and
- Average cost - estimated payment to be made to customers, including compensation for direct loss plus interest.

These assumptions were based on the following information:

- A complete analysis of the causes of the claim, the probability of success, as well as the possibility that this probability could change in the future;
- Activity recorded with respect to the number of claims received;

- Level of compensation paid to customers, together with a projection of the probability that this level could change in the future;
- Impact on the level of claims in the event of proactive initiatives carried out by the Group through direct contact with customers; and
- Impact of the media coverage.

These assumptions are reviewed, updated and validated on a regular basis using the latest available information, such as, the number of claims received, the percentage of claims lost, the potential impact of any change in that percentage, etc. and any new evaluation of the estimated population.

The most relevant factor for calculating the balance of the provision is the number of claims received as well as the expected level of future claims. The percentage of claims lost is calculated on the basis of the analysis of the sale process. The average cost of compensation is calculated in a reasonable manner as the Group manages a high volume of claims and the related population is homogenous. Group management reviews the provision required at each relevant date, taking into account the latest available information on the aforementioned assumptions as well as past experience.

- After the Madrid Provincial Appellate Court had rendered null and void the award handed down in the previous arbitration proceeding, on 8 September 2011, Banco Santander, S.A. filed a new request for arbitration with the Spanish Arbitration Court against Delforca 2008, Sociedad de Valores, S.A. (formerly Gaesco Bolsa Sociedad de Valores, S.A.), claiming €66 million that the latter owes it as a result of the declaration on 4 January 2008 of the early termination by the Bank of all the financial transactions agreed upon between the parties.

On 3 August 2012, Delforca 2008, S.A. was declared to be in a position of voluntary insolvency by Barcelona Commercial Court no. 10, which had agreed as part of the insolvency proceeding to stay the arbitration proceeding and the effects of the arbitration agreement entered into by Banco Santander, S.A. and Delforca 2008, S.A. The Bank filed an appeal against this decision, which was dismissed and it then proceeded to prepare a challenge with a view to filing a future appeal. The Arbitration Court, in compliance with the decision of the Commercial Court, agreed on 20 January 2013 to stay the arbitration proceedings at the stage reached at that date until a decision could be reached in this respect in the insolvency proceeding.

In addition, as part of the insolvency proceeding of Delforca 2008, S.A., Banco Santander, S.A. notified its claim against the insolvent party with a view to having the claim recognised as a contingent ordinary claim without specified amount. However, the insolvency manager opted to exclude Banco Santander, S.A.'s claim from the provisional list of creditors and, accordingly, Banco Santander, S.A. filed an ancillary claim, which was dismissed by a Court decision on 17 February 2015. Banco Santander, S.A. has duly contested the decision with a view to lodging a future appeal.

As part of the same insolvency proceeding, Delforca 2008, S.A. has filed another ancillary claim requesting the termination of the arbitration agreement included in the framework financial transactions agreement entered into by that party and Banco Santander, S.A. in 1998, as well as the termination of the obligation that allegedly binds the insolvent party to the High Council of Chambers of Commerce (Spanish Arbitration Court). This claim has been upheld in full by the Court. Banco Santander, S.A. has contested the judgment with a view to lodging a future appeal.

On 30 December 2013, Banco Santander filed a complaint requesting the termination of the insolvency proceeding of Delforca 2008, S.A. due to supervening disappearance of the alleged insolvency of the company. The complaint was dismissed by the decision of 30 June 2014 against which the Bank proceeded to prepare a challenge with a view to filing a future appeal.

In addition, in April 2009 Mobiliaria Monesa, S.A. (parent of Delforca 2008, S.A.) filed a claim against Banco Santander, S.A. at Santander Court of First Instance no. 5, claiming damages which it says it incurred as a result of the (in its opinion) unwarranted claim filed by the Bank against its subsidiary, reproducing the same objections as Delforca 2008, S.A. This proceeding has currently been stayed on preliminary civil ruling grounds, against which Mobiliaria Monesa,

S.A. filed an appeal which was dismissed by the Cantabria Provincial Appellate Court in a judgment dated 16 January 2014.

Lastly, on 11 April 2012, Banco Santander, S.A. was notified of the claim filed by Delforca 2008, S.A., heard by Madrid Court of First Instance no. 21, in which it sought indemnification for the damage and losses it alleges it incurred due to the (in its opinion) unwarranted claim by the Bank. Delforca 2008, S.A. made the request in a counterclaim filed in the arbitration proceeding that concluded with the annulled award, putting the figure at up to €218 million. The aforementioned Court has dismissed the motion for declinatory exception proposed by Banco Santander, S.A. as the matter has been referred for arbitration. This decision was confirmed in an appeal at the Madrid Provincial Appellate Court in a judgment dated 27 May 2014. The Group considers that the risk of loss arising as a result of these matters is remote and, accordingly, it has not recognised any provisions in connection with these proceedings.

- Former employees of Banco do Estado de São Paulo S.A., Santander Banespa, Cia. de Arrendamiento Mercantil: a claim was filed in 1998 by the association of retired Banespa employees (AFABESP) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's Bylaws in the event that the entity obtained a profit and that the distribution of this profit were approved by the board of directors. The bonus was not paid in 1994 and 1995 since the bank did not make a profit and partial payments were made from 1996 to 2000, as agreed by the board of directors, and the relevant clause was eliminated in 2001. The Regional Employment Court ordered the bank to pay this half-yearly bonus in September 2005 and the bank filed an appeal against the decision at the High Employment Court ("TST") and, subsequently, at the Federal Supreme Court ("STF"). The TST confirmed the judgment against the bank, whereas the STF rejected the extraordinary appeal filed by the bank in a decision adopted by only one of the Court members, thereby also upholding the order issued to the bank. This decision was appealed by the bank and the association. Only the appeal lodged by the bank has been given leave to proceed and will be decided upon by the STF in plenary session.
- "Planos economicos": Like the rest of the banking system, Santander Brazil has been the subject of claims from customers, mostly depositors, and of class actions brought for a common reason, arising from a series of legislative changes relating to the calculation of inflation ("planos economicos"). The claimants considered that their vested rights had been impaired due to the immediate application of these adjustments. In April 2010, the High Court of Justice ("STJ") set the limitation period for these class actions at five years, as claimed by the banks, rather than twenty years, as sought by the claimants, which will probably significantly reduce the number of actions brought and the amounts claimed in this connection. As regards the substance of the matter, the decisions issued to date have been adverse for the banks, although two proceedings have been brought at the STJ and the Supreme Federal Court ("STF") with which the matter is expected to be definitively settled. In August 2010, STJ handed down a decision finding for the plaintiffs in terms of substance, but excluding one of the "planos" from the claim, thereby reducing the amount thereof, and once again confirming the five-year statute of limitations period. Shortly thereafter, the STF issued an injunctive relief order whereby the proceedings in progress were stayed until this court issues a final decision on the matter.
- Proceeding under Criminal Procedure Law (case no. 1043/2009) conducted at Madrid Court of First Instance no. 26, following a claim brought by Banco Occidental de Descuento, Banco Universal, C.A. against the Bank for USD 150 million in principal plus USD 4.7 million in interest, upon alleged termination of an escrow contract.

The court upheld the claim but did not make a specific pronouncement on costs. A judgment handed down by the Madrid Provincial Appellate Court on 9 October 2012 upheld the appeal lodged by the Bank and dismissed the appeal lodged by Banco Occidental de Descuento, Banco Universal, C.A., dismissing the claim. The dismissal of the claim was confirmed in an ancillary order to the judgment dated 28 December 2012. An appeal was filed at the Supreme Court by Banco Occidental de Descuento against the Madrid Provincial Appellate Court decision. The appeal was dismissed in a Supreme Court judgment dated 24 October 2014. Banco Occidental de Descuento has filed a motion for annulment against the aforementioned judgment which has not yet been granted leave to proceed. The Bank has challenged the appeal. The Bank has not recognised any provisions in this connection.

- On 26 January 2011, notice was served on the Bank of an ancillary insolvency claim to annul acts detrimental to the assets available to creditors as part of the voluntary insolvency proceedings of Mediterráneo Hispa Group, S.A. at Murcia Commercial Court no. 2. The aim of the principal action is to request annulment of the application of the proceeds obtained by the company undergoing insolvency from an asset sale and purchase transaction involving €32 million in principal and €2.7 million in interest. On 24 November 2011, the hearing was held with the examination of the proposed evidence. Upon completion of the hearing, it was resolved to conduct a final proceeding. The Court dismissed the claim in full in a judgment dated 13 November 2013. The judgment was confirmed at appeal by the Murcia Provincial Appellate Court in a judgment dated 10 July 2014. The insolvency managers have filed a cassation and extraordinary appeal against procedural infringements against the aforementioned judgment.
- The bankruptcy of various Lehman Group companies was made public on 15 September 2008. Various customers of Santander Group were affected by this situation since they had invested in securities issued by Lehman or in other products which had such assets as their underlying.

At the date of these notes to the consolidated financial statements, certain claims had been filed in relation to this matter. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Group acted as intermediary would not give rise to any liability for it in relation to the insolvency of Lehman. Accordingly, the risk of loss is considered to be remote and, as a result, no provisions needed to be recognised in this connection.

- The intervention, on the grounds of alleged fraud, of Bernard L. Madoff Investment Securities LLC ("Madoff Securities") by the US Securities and Exchange Commission ("SEC") took place in December 2008. The exposure of customers of the Group through the Optimal Strategic US Equity ("Optimal Strategic") subfund was €2,330 million, of which €2,010 million related to institutional investors and international private banking customers, and the remaining €320 million made up the investment portfolios of the Group's private banking customers in Spain, who were qualifying investors.

At the date of these notes to the consolidated financial statements, certain claims had been filed in relation to this matter. The Group considers that it has at all times exercised due diligence and that these products have always been sold in a transparent way pursuant to applicable legislation and established procedures. Therefore, the risk of loss is considered to be remote or non-material.

- At the end of the first quarter of 2013, news stories were published stating that the public sector was debating the validity of the interest rate swaps arranged between various financial institutions and public sector companies in Portugal, particularly in the public transport industry.

The swaps under debate included swaps arranged by Banco Santander Totta with the public companies Metropolitano de Lisboa, E.P.E. (MdL), Metro de Porto, S.A. (MdP), Sociedade de Transportes Colectivos do Porto, S.A. (STCP) and Companhia Carris de Ferro de Lisboa, S.A. (Carris). These swaps were arranged prior to 2008, i.e. before the start of the financial crisis, and had been executed without incident.

In view of this situation Banco Santander Totta took the initiative to request a court judgment on the validity of the swaps in the jurisdiction of the United Kingdom to which the swaps are subject. The corresponding claims were filed in May 2013.

After the Bank had filed the claims, the four companies (MdL, MdP, STCP and Carris) notified Banco Santander Totta that they were suspending payment of the amounts owed under the swaps until a final decision had been handed down in the UK jurisdiction in the proceedings. MdL, MdP and Carris suspended payment in September 2013 and STCP did the same in December 2013.

Consequently, Banco Santander Totta extended each of the claims to include the unpaid amounts.

On 29 November 2013, the companies presented their defence in which they claimed that the swaps were null and void under Portuguese law and, accordingly, that they should be refunded the amounts paid. On 14 February 2014, Banco Santander Totta, S.A. answered the counterclaim, maintaining its arguments and rejecting the opposing arguments in its documents dated 29 November 2013.

On 4 April 2014, the companies issued their replies to the Bank's documents. The preliminary hearing took place on 16 May 2014. The documentation analysis stage has been in progress since December 2014. These proceedings are still in progress.

Banco Santander Totta, S.A. and its legal advisers consider that the entity acted at all times in accordance with applicable legislation and under the terms of the swaps, and take the view that the UK courts will confirm the full validity and effectiveness of the swaps. As a result, the Group has not recognised any provisions in this connection.

- Most of the German banking industry has been affected by two German Supreme Court decisions in 2014 in relation to handling fees in consumer loan agreements.

In May 2014 the German Supreme Court held handling fees in loan agreements to be null and void. The Court subsequently handed down a ruling at the end of October 2014 extending from three to ten years the statute-of-limitation period on claims relating to old transactions. Therefore, any claims relating to handling fees paid between 2004 and 2011 become statute-barred in 2014. This situation gave rise to numerous claims at the end of 2014 which have affected the income statements of banks in Germany.

Santander Consumer Bank AG stopped including these handling fees in agreements from 1 January 2013 and ceased charging these fees definitively at that date, i.e. before the Supreme Court handed down its judgment on the issue.

In 2014 Santander Consumer Bank AG recognised provisions totalling approximately €455 million to cover the estimated cost of the claims relating to handling fees, considering both the claims already received and the estimated claims that may be received in 2015 relating to fees paid in 2012; no new claims are expected to be received for fees paid earlier than 2012 since they are statute-barred.

The Bank and the other Group companies are subject to claims and, therefore, are party to certain legal proceedings incidental to the normal course of their business (including those in connection with lending activities, relationships with employees and other commercial or tax matters).

In this context, it must be considered that the outcome of court proceedings is uncertain, particularly in the case of claims for large or indeterminate amounts, those based on legal issues for which there are no precedents, those that affect a large number of parties or those at a very preliminary stage.

With the information available to it, the Group considers that at 31 December 2014, 2013 and 2012, it had reliably estimated the obligations associated with each proceeding and had recognised, where necessary, sufficient provisions to cover reasonably any liabilities that may arise as a result of these tax and legal situations. It also believes that any liability arising from such claims and proceedings will not have, overall, a material adverse effect on the Group's business, financial position or results of operations.

In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Group cannot state with confidence what the eventual outcome of any of these pending matters will be, what the timing of the ultimate resolution of such matters will be or what the eventual loss, fines or penalties related to each such pending matter may be. Consequently, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Group; and the outcome of a particular matter may be material to the Group's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of the Group's income for that period.

Except as disclosed above, the Guarantor has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which of which the

Guarantor is aware) which may have, or have had in the twelve months prior to the date of this Information Memorandum significant effects on the Guarantor's financial position or profitability.

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 Guarantor by 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, SFr 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.

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

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

The status of the Notes and the status of the Deed of Guarantee, the capacity of the Issuer and the Guarantor 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 European Central Bank (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 of the Issuer and upon the insolvency of the Issuer (and unless they qualify as subordinated debts under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without any preference among themselves and the payment obligations of the Issuer under the Notes rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.

*In the event of insolvency (concurso) of the Issuer, under Law 22/2003 (Ley Concursal) dated 9 July 2003 (the "**Insolvency Law**"), claims relating to the Notes (unless they qualify as subordinated credits 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 state (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).*

Status of the Deed of Guarantee

The Guarantor has by way of a deed of guarantee dated 20 April 2015 (the "**Deed of Guarantee**") unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer on an unsubordinated basis. The obligations of the Guarantor in respect of the guarantee of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and upon the insolvency of the Guarantor (and unless they qualify as subordinated debts under article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without any preference among such obligations of the Guarantor in respect of the Notes of the same issue and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the Deed of Guarantee.

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 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.

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 establishment of the Programme and the issuance of Notes pursuant thereto was authorised by resolutions of the sole shareholder of the Issuer passed on 6 April 2015 and of the Board of Directors of the Issuer passed on 6 April 2015, and the giving of the guarantee of the Notes was authorised by a resolution of the Executive Committee of the Guarantor passed on 6 April 2015.

Each of the Issuer and the Guarantor 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 the Irish Stock Exchange 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 the Irish Stock Exchange. Notes may be listed, traded and/or quoted on any other listing authority, stock exchange and/or quotations system, as may be agreed between the Issuer and the relevant Dealer. No Notes may be issued on an unlisted basis.

The Bank of New York Mellon, London Branch at One Canada Square, Canary Wharf, London E14 5AL, 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:

Standard & Poor's Credit Market Services Europe Limited Sucursal en España: A-2

Fitch Ratings España SAU: F2

Moody's Investors Service España, S.A.: P-2

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.

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL
(Incorporated with limited liability in the Kingdom of Spain)

€15,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME

guaranteed by

BANCO SANTANDER, S.A.
(Incorporated with limited liability in the Kingdom of Spain)

1. For value received, Santander Commercial Paper, S.A. Unipersonal (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 issuing and paying agency agreement (the "**Agency Agreement**") dated 20 April 2015 (as amended and restated or supplemented from time to time) between the Issuer, Banco Santander, S.A. (the "**Guarantor**") and The Bank of New York Mellon, 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 One Canada Square, Canary Wharf, London E14 5AL, England, 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. The Issuer undertakes that, so long as the Notes are listed, traded and/or quoted on any listing authority, stock exchange and/or quotation system, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system. The Issuer further undertakes that it will ensure that it maintains a paying agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC, as amended or any law implementing or complying with, or introduced in order to conform to, this Directive.

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 or the Guarantor does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or
 - (iii) 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
 - (iv) where the withholding or deduction referred to in this paragraph 3 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC, as amended or any law implementing or complying with, or introduced in order to conform to, this Directive; or
 - (v) in respect of any Note presented for payment by or on behalf of a holder of a Note who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

- (vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
 - (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to the Spanish Corporate Income Tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.
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, the Guarantor or any subsidiary of the Guarantor 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 or the Guarantor 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 Guarantor 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 by law as subordinated debts 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 *pari passu* and rateably without any preference among themselves and the payment obligations of the Issuer under the Notes rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.
- 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 S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme, Luxembourg ("**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 or the Guarantor) 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 2015, entered into by the Issuer).
- 13. This Global Note has the benefit of a deed of guarantee issued by the Guarantor on 20 April 2015, copies of which are available for inspection during normal business hours at the office of the Issuing and Paying Agent referred to above.
- 14. 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.
- 15. 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.

16. 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. 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):

"**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, (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;

- (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. 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;

- (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.
- (d) 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; 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 16(a); (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 16(b); and (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 16(c). 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;
- (e) 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;
- (f) 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
- (g) 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*).
17. 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, Sterling 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.
- 18. 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.
- 19. This Global Note shall not be validly issued unless manually authenticated by The Bank of New York Mellon, London Branch as Issuing and Paying Agent.
- 20. 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.
- 21. The status of this Global Note, 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 21 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.
- 22. The Notes represented by this Global Note have been admitted to listing on the official list of the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") and to trading on the regulated market of the Irish Stock Exchange (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 the Irish Stock Exchange (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 the Irish Stock Exchange (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.

23. 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.
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

Signed on behalf of:

**THE BANK OF NEW YORK MELLON,
LONDON BRANCH**

**SANTANDER COMMERCIAL PAPER, S.A.
UNIPERSONAL**

without recourse, warranty or liability and for
authentication purposes only

By:
(Authorised Signatory)

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)

SCHEDULE¹

[illegible]

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

FINAL TERMS

[Completed Final Terms to be attached]

Part B – Form of Multicurrency Definitive Note

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 REGULATIONS UNDER THE SECURITIES ACT.

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL
(Incorporated with limited liability in the Kingdom of Spain)

€15,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME

guaranteed by

BANCO SANTANDER, S.A.
(Incorporated with limited liability in the Kingdom of Spain)

Nominal Amount of this Note:

1. For value received, Santander Commercial Paper, S.A. Unipersonal (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 issuing and paying agency agreement (the "**Agency Agreement**") dated 20 April 2015 (as amended and restated or supplemented from time to time) between the Issuer, Banco Santander, S.A. (the "**Guarantor**") and The Bank of New York Mellon, 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 One Canada Square, Canary Wharf, London E14 5AL, England, 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. The Issuer undertakes that, so long as the Notes are listed, traded and/or quoted on any listing authority, stock exchange and/or quotation system, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system. The Issuer further undertakes that it will ensure that it maintains a paying agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC, as amended or any law implementing or complying with, or introduced in order to conform to, this Directive.

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 or the Guarantor does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or
 - (iii) 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
 - (iv) where the withholding or deduction referred to in this paragraph 2 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC, as amended or any law implementing or complying with, or introduced in order to conform to, this Directive; or
 - (v) in respect of any Note presented for payment by or on behalf of a holder of a Note who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
 - (vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
 - (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to the Spanish Corporate Income Tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.
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, the Guarantor or any subsidiary of the Guarantor 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 or the Guarantor 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 Guarantor 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 by law as subordinated debts 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 *pari passu* and rateably without any preference among other Notes of the same Series (as specified in the Final Terms) and the payment obligations of the Issuer under the Notes rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.
- 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. This Note has the benefit of a guarantee issued by the Guarantor on 20 April 2015, copies of which are available for inspection during normal business hours at the office of the Issuing and Paying Agent referred to above.

10. 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.
11. 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.
12. 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. 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):

"**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, (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;

² If this Note is denominated in Sterling, delete paragraphs 10 through 13 inclusive and replace with interest provisions to be included on the reverse of the Note as indicated below.

- (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. 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;

- (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.
- (d) 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; 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 12(a); (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 12(b); and (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 12(c). 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;
- (e) 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;

- (f) 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
 - (g) 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*).
13. 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.
14. This Note shall not be validly issued unless manually authenticated by The Bank of New York Mellon, London Branch as Issuing and Paying Agent.
15. The status of this Definitive Note, 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 15(a) (*English courts*) is for the benefit of the bearer only. As a result, nothing in this paragraph 15 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.

16. If this Note has been admitted to listing on the official list of the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") and to trading on the regulated market of the Irish Stock Exchange (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 the Irish Stock Exchange (and/or of the relevant listing authority, stock exchange and/or quotation system).
17. 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.
18. No person shall have any right to enforce any provision of this Note under the Contracts (Rights of Third Parties) Act 1999.

AUTHENTICATED by

Signed on behalf of:

**THE BANK OF NEW YORK MELLON,
LONDON BRANCH**

**SANTANDER COMMERCIAL PAPER, S.A.
UNIPERSONAL**

without recourse, warranty or liability and for
authentication purposes only

By:
(Authorised Signatory)

By:
(Authorised Signatory)

[By:
(Authorised Signatory)]³

By:
(Authorised Signatory)

³Include second authentication block if the currency of this Note is Sterling.

[On the Reverse]

[(A) 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.

(B) 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 actual number of days in such Interest Period and a year of 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest penny (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 (B).

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

- (a) the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. 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 actual number of days in such Interest Period and a year of 365 days.

As used in this Note (and unless otherwise specified in the Final Terms), "**LIBOR**" shall be equal to the rate defined as "**LIBOR-BBA**" in respect of Sterling (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 (the "**ISDA Definitions**")) as at 11.00 a.m. (London time) or as near thereto as practicable on the first day of the relevant Interest Period (the "**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;

- (b) the Calculation Agent specified in the Final Terms will, as soon as practicable after 11.00 a.m. (London time) on the LIBOR Interest Determination Date, 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 the rate which is determined in accordance with the provisions of sub-paragraph (a) above. 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 Fraction specified in the Final Terms or, if none is specified, the actual number of days in the Interest Period concerned divided by 365 and rounding the resulting figure to the nearest penny. The determination of the Rate of Interest and the Amount of Interest by the Calculation

Agent named above shall (in the absence of manifest error) be final and binding upon all parties;

- (c) 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;
- (d) the period beginning on (and including) the above-mentioned 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 (C);
- (e) 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*).]

SCHEDULE

Payments of Interest

The following payments of interest in respect of this Note have been made:

Date Made	Payment From	Payment To	Gross Amount Payable	Withholding at 20%	Net Amount Paid	Notation on behalf of Issuing and Paying Agent
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

FINAL TERMS

[Completed Final Terms to be attached]

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.

Santander Commercial Paper, S.A. Unipersonal

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

guaranteed by

Banco Santander, S.A.

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 20 April 2015 (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 the Issuer, the Guarantor, 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 the Issuer, the Guarantor 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 registered office of the Issuer at Ciudad Grupo Santander, Avenida Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain, at the head office of the Guarantor at Ciudad Grupo Santander, Avenida Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain, at the offices of the Issuing and Paying Agent at The Bank of New York Mellon, London Branch, One Canada Square, Canary Wharf, London E14 5AL.

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

[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. | (i) | Issuer: | Santander Commercial Paper, S.A. Unipersonal |
| | (ii) | Guarantor: | 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][] per Note of [] Denomination][*other*]
12. Delivery: [Free of/against] payment

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **Fixed Rate Note Provisions** [Applicable/Not applicable]
- (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*]
- [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]
- (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] [Not applicable]
- (iv) 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

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.

- (v) Margin(s): [+/-][] per cent. per annum
- (vi) Day Count Convention if different from that specified in the terms and conditions of the Notes: [Not applicable/other]
[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
- (vii) 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. Listing and admission to trading: [Dublin (the Irish Stock Exchange plc). 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 the Irish Stock Exchange plc with effect from [].][other]
16. Ratings: The Notes to be issued under the Programme have been rated:

[Standard & Poor's: []]

[Fitch Ratings: []]

[Moody's Investors Service España, S.A.: []]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]
17. Clearing System(s): Euroclear[,/and] Clearstream, Luxembourg
18. Issuing and Paying Agent: The Bank of New York Mellon, London Branch
19. Listing Agent: [[A&L Listing Limited]/[Not applicable]/[Give name]]
20. ISIN: []
21. Common code: []
22. Any clearing system(s) other than or in addition to Euroclear Bank, S.A./N.V., Clearstream Banking, société anonyme and the relevant identification number(s): [Not applicable/give name(s) and number(s)]
23. New Global Note: [Yes][No]
24. Intended to be held in a manner which [Yes.][No.][Not applicable.]

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.

would allow Eurosystem eligibility:

[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*]

[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*]]

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 Santander Commercial Paper, S.A. Unipersonal guaranteed by Banco Santander, S.A.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms.

Signed on behalf of **SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL**

By:
(duly authorised)
Dated:

By:
(duly authorised)

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 conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["Save as discussed in paragraph 1 of "Subscription and Sale", so far as the Issuer and the Guarantor are 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/other] rates can be obtained from [Reuters]]

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.

EU Savings Tax Directive

Under EU Council Directive 2003/48/EC, as amended on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The EC Council Directive 2003/48/EC has been amended by the EC Council Directive 2014/48/EU which was published on 15 April 2014 (the "Amending Directive"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in 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.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

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, as amended by Law 26/2014 of 27 November 2014, 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 1777/2004, of 30 July, promulgating the CIT Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("NRIT"), Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law as amended by Law 26/2014 of 27 November 2014, 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 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 of tax year 2015 will be taxed at the rate of 20 per cent. up to €6,000, 22 per cent. for taxable income between €6,001 and €24,000, and 24 per cent. for taxable income exceeding €50,000.

As from 1 January 2016, each investor's savings income tax base will be taxed at 19 per cent. for taxable income between €6,000.01 to €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 and the Guarantor, 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 each 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 20% which will be made by the depositary or custodian.

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

Individuals with tax residency in Spain are subject to Wealth Tax on the 2015 tax year to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000 for 2015. Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2% and 2.5%. The autonomous communities may have different provisions on this respect.

(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 applicable tax rates currently range between 7.65% and 34%. 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% and 81.6%.

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 28%, 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 and the Guarantor, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, 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 20%, 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 20% and the Issuer will not pay additional amounts.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer 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*)**

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2% and 2.5%.

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 20%, except in the case of Holders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, provided that such Holders (i) do not obtain the interest income on the 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. **Tax Rules for Payments Made by the Guarantor**

Payments which may be made by the Guarantor to holders, if the Guarantee is enforced, will be subject to the same tax rules previously set out for payments made by the Issuer.

6. **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 and/or the Guarantor 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, the Guarantor 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 withhold tax at the then-applicable rate (as at the date of this Information Memorandum 20%) from any payment in respect of the relevant Notes. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

If, before the tenth day of the month following the month in which interest is paid, the Issue and Paying Agent provides such information, the Issuer or, as the case may be, the Guarantor, will reimburse the amounts withheld.

Prospective Holders of Notes should note that none of the Issuer, the Guarantor or the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Notes. Accordingly, none the Issuer, the Guarantor or the Dealers will be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, neither the Issuer nor the Guarantor will 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 the issuer.

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 ena dede

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 and the Deed of Guarantee 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. Each Dealer has represented and agreed that it has offered and sold, and will offer and sell, Notes and the Deed of Guarantee only outside the United States to non-U.S. persons in accordance with Rule 903 of Regulation S. Accordingly, each Dealer has represented and agreed 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 the Deed of Guarantee, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed that, at or prior to confirmation of sale of Notes and the Deed of Guarantee, 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 United States 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."

Terms used in this paragraph have the meanings given to them by Regulation S.

3. Selling Restrictions addressing additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 does not apply to the Issuer or, in the case of the Guarantor, would not apply to the Guarantor 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**

Each Dealer has acknowledged that 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 undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws of Japan.

5. **Kingdom of Spain**

Each Dealer has represented and agreed that the Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio del Mercado de Valores*), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Neither the Notes nor the Information Memorandum have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Information Memorandum is not intended for any public offer of the Notes in Spain.

6. **Republic of France**

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France this Information Memorandum or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to providers of investment services relating to portfolio management for the account of third parties and/or to qualified investors other than individuals (*investisseurs qualifiés*) as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code *monétaire et financier*.

7. **Ireland**

Each Dealer has represented, warranted and agreed that (and each further Dealer will be required to represent, warrant and agree that) it will not offer, sell, place or underwrite the Notes, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of:

- (a) the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos 1 to 3) (as amended by the European Communities (Markets in Financial Instruments) (Amendment) Regulations 2010 and the European Union (Markets in Financial Instruments) (Amendment) Regulations 2012) (the "**MiFID Regulations**"), including, without limitation, Parts 6, 7, and 12 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;
- (b) the Companies Acts 1963 to 2013 (as amended) and all other statutes and statutory instruments or parts thereof which are to be read as one with or construed or read together as one with the Companies Acts 1963 to 2013 (as amended);
- (c) the Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

- (d) Directive 2003/71/EC (the "**Prospectus Directive**") (as amended by Directive 2010/73/EU (the "**2010 PD Amending Directive**"), the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended by the Prospectus (Directive 2003/71/EC) (Amendment) Regulations 2012 and the Prospectus (Directive 2003/71/EC) (Amendment) (No. 2) Regulations 2012) (the "**Prospectus Regulations**") and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 (as amended) (the "**2005 Act**"), by the Central Bank of Ireland (the "**Central Bank**");
 - (e) the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended by the Market Abuse (Directive 2003/6/EC) (Amendment) Regulations 2012) (the "**MAD Regulations**") and any rules issued under Section 34 of the 2005 Act by the Central Bank; and
 - (f) in full compliance with Central Bank Notice BSD C 01/02,
- and will assist the Issuer in complying with its obligations thereunder.

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 the Irish Stock Exchange after 20 April 2015. The admission of the Notes to trading on the regulated market of the Irish Stock Exchange 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 the Irish Stock Exchange will be so admitted to listing and trading upon submission to the Irish Stock Exchange of the relevant Final Terms and any other information required by the Irish Stock Exchange, 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.

Significant Change

There has been no significant change in the financial or trading position of the Guarantor or the Group since 31 December 2014.

Material Contracts

During the two years prior to the date of this Information Memorandum, neither the Issuer nor the Guarantor has been a party to any contracts that were not entered into in the ordinary course of business of the Issuer and the Guarantor 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 One Canada Square, Canary Wharf, London E14 5AL, at the registered office of the Issuer and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain) for the life of this Information Memorandum:

1. the *estatutos* (constitutive documents) of each of the Issuer and of the Guarantor;
2. the audited financial statements incorporated by reference herein;
3. this Information Memorandum, together with any supplements thereto;
4. the Agency Agreement;
5. the Deed of Covenant;
6. the Deed of Guarantee; and
7. the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

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