Information Memorandum dated 15 April 2016

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 Plc (the "**Irish Stock Exchange Plc**") 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 Plc (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 – 31 of this Information Memorandum).

Potential purchasers should note the statements on pages 108 – 112 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

Barclays

Dealers

Barclays
Citigroup
Crédit Agricole CIB
Goldman Sachs International
Coöperatieve Rabobank U.A. (Rabobank)
Société Générale
UBS Investment Bank

BofA Merrill Lynch
Commerzbank
Credit Suisse
ING
Santander Global Corporate Banking
The Royal Bank of Scotland

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 15 April 2016 (the "**Dealer Agreement**"), appointed Barclays Bank 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 Rabobank U.A. (Rabobank), Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., 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 Plc. 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 Plc, 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 Plc. Any such supplement to this Information Memorandum will be subject to the approval of the Irish Stock Exchange Plc 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.$**" are to United States dollars; references to "**JPY**" and "**¥**" are to Japanese Yen; references to "**CHF**" are to Swiss Francs; references to "**A$**" 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 15 April 2016 (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. As of 31 December 2015, Continental Europe accounted for 36% of Santander's total loan portfolio (Spain accounted for 20% of its total loan portfolio), the United Kingdom (where the loan portfolio consists primarily of residential mortgages) accounted for 36%, Latin America accounted for 17% (of which Brazil represents 8% of the total loan portfolio) and the United States accounted for 11%. 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), the United Kingdom, some of the Latin American countries in which the Group operates or the United States, or continued recessionary conditions in Brazil, would likely have a significant adverse impact on Santander's loan portfolio and, as a result, on its financial condition, cash flows and results of operations. See sections titled "*Santander Commercial Paper, S.A. Unipersonal*" and "*Banco Santander, S.A – Information about the Guarantor*" respectively.

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

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

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

- Reduced demand for the Group's products and services.

- Increased regulation of the industry in which the Group operates. Compliance with such regulation will continue to increase its costs and may affect the pricing of its products and services and limit its ability to pursue business opportunities.

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

- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of 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.

- 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 the Group, 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 have taken action with the aim of reducing the risk of contagion in the eurozone and beyond. These included the creation of the Open Market Transaction facility of the ECB and the decision by eurozone governments to progress towards the creation of a banking union. In January 2015, the ECB announced an extensive quantitative easing scheme. The scheme comprises a €60 billion-a-month bond-buying program across the eurozone, which was raised to €80 billion in March 2016, such program to last until at least September 2016, with a potential for extension if inflation in the eurozone does not meet the ECB target of 2%. Notwithstanding

these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone nations, which are under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilized, resulting in the further spread of the effects of the recent economic crisis.

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, such concerns could resurface (as was demonstrated in the earlier part of 2015 with the doubts regarding Greece's membership of the eurozone). 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. 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. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. In addition, some of the countries in which the Group operates are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate environment, impact the Group's profitability by causing lending margins to decrease and credit quality to decline and leading to decreased demand for higher margin products and services. For instance, Brazil's present high rate of inflation, compounded by high and increasing interest rates, declining consumer spending and increasing unemployment, have had and may continue to have a material adverse impact on the Brazilian economy as a whole as well as on the Group's financial condition and earnings in Brazil, which represented 20% of profit attributable to the Group's total operating areas in 2015 and 8% of the Group's total loans as of 31 December 2015. In addition, the Group's business in Brazil will continue to be adversely affected by recessionary conditions and political instability in that country.

There is uncertainty over the long-term effects of the monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China. China's economy is entering a period of slower growth. Any continuing or worsening slowdown in China could further reduce domestic demand in China which in turn could have ripple effects on the global economy. Furthermore, financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets. Continued or increased perceived risks associated with investing in emerging economies in general, or the emerging market economies where the Group operates in particular, could further dampen capital flows to such economies and adversely affect such economies, and as a result, could have an adverse impact on the Group's business and results of operations.

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

In addition, the Group's revenues are subject to risk of loss from unfavorable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation,

nationalization, international ownership legislation, interest-rate caps and tax policies. In particular, the UK government has committed to holding a referendum on the UK's membership of the European Union in June 2016. Future UK political developments, including but not limited to any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Groups is subject and also therefore its financing availability and the terms on which such financing is obtained.

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 party 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 the Group is subject may also change from time to time. Extensive legislation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect 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. Other regulatory reforms adopted or proposed in the wake of the financial crisis have

increased and may continue to materially increase the Bank's operating costs and negatively impact the Bank's business model. In addition, the volume, granularity, frequency and scale of regulatory and other reporting requirements necessitate a clear data strategy to enable consistent data aggregation, reporting and management. Inadequate management information systems or processes, including those relating to risk data aggregation and risk reporting, could lead to a failure to meet regulatory reporting requirements or other internal or external information demands and Santander may face supervisory measures as a result.

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 the Capital Requirements Directive ("**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 Capital Requirements Regulation ("**CRR**"), which is complemented by several binding technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures. The implementation of the CRD IV Directive into Spanish law has largely taken place through Royal Decree Law 14/2013, Law 10/2014, Royal Decree 84/2015, of 13 February and Bank of Spain Circulars 2/2014 of 31 January and 2/216, of 2 February. Credit institutions, such as the Bank, are required, on a standalone and consolidated basis, to hold a minimum amount of regulatory capital of 8% of risk weighted assets (of which at least 4.5% must be common equity tier 1 ("**CET1**") capital and at least 6% must be tier 1 capital). In addition to the minimum regulatory capital requirements, CRD IV also introduces capital buffer requirements that must be met with CET1 capital. CRD IV introduces five new capital buffers: (1) the capital conservation buffer for unexpected losses, comprising of CET1 equivalent to 2.5% of the total amount of risk exposure; (2) the institution-specific counter-cyclical capital buffer, requiring CET1 of up to 2.5% of total weighted exposures; (3) the global systemically important institutions buffer of between 1% and 3.5% of total risk exposure; (4) the other systemically important institutions buffer, which may be as much as 2% of total risk exposure; and (5) the Common Equity Tier 1 systemic risk buffer. Beginning in 2016, and subject to the applicable phase-in period, entities will be required to comply with the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the global systemically important institutions buffer and the other systemically important financial institutions buffer, in each case as applicable to the institution). The Bank will be required to maintain a conservation buffer of 2.5% and a global systemically important institutions buffer of 1%, in each case considered on a fully loaded basis. However, as of the date of this Information Memorandum, due to the application of the phase-in period, the Bank is required to maintain a conservation buffer of 2.5% and a global systemically important institutions buffer of 0.25%.

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 (including, if applicable, any buffer capital as discussed above), supervisory authorities may impose further "Pillar 2" capital requirements to cover other risks, including those not considered to be fully captured by the minimum capital requirements under CRD IV or to address macro-prudential considerations. This may result in the imposition of additional capital 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 capital requirements could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Group's results of operations.

The ECB is required to carry out, at least on an annual basis, assessments under CRD IV of the additional "Pillar 2" capital requirements that may be imposed for each of the European banking institutions subject to the Single Supervisory Mechanism (the "**SSM**"). Any additional capital requirement that may be imposed on the Bank and/or the Group by the ECB pursuant to these assessments may require the Bank and/or the Group respectively to hold capital levels similar to, or higher than, those required under the full application of CRD IV. There can be no assurance that the Group will be able to continue to maintain such capital ratios.

In addition to the above, the European Banking Authority ("**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 capital requirements to be implemented by 1 January 2016. Under these guidelines, national supervisors must set a composition requirement for the additional capital 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 capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above "combined buffer requirement" is in addition to the minimum capital requirement and to the additional capital requirement. In this regard, under article 141 of the CRD IV Directive, Member States of the European Union must require that institutions that fail to meet the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution), the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institution buffer, in each case as applicable to the institution), or the "Pillar 2" capital requirements described above, will be prohibited from paying any "discretionary payments" (which are defined broadly by the CRD IV Directive as payments relating to CET1, variable remuneration and payments on additional tier 1 capital instruments ("**AT1**")), until it calculates its applicable restrictions and communicates them to the Regulator and, once completed, such institution will be subject to restricted "discretionary payments". The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. Articles 43 to 49 of Law 10/2014 and Chapter II of Title II of Royal Decree 84/2015 implement the above provisions in Spain. In particular article 48 of Law 10/2014 and articles 73 and 74 of Royal Decree 84/2014 deal with restrictions on distributions. In connection with this, Santander announced on 23 December 2015 that it had received from the ECB its decision regarding prudential minimum capital requirements for 2016, following the results of SREP. The ECB decision requires that the Group maintains a Common Equity Tier 1 capital ratio of 9.75% on a consolidated basis. This 9.75% capital requirement includes: the minimum Pillar 1 requirement (4.5%); the Pillar 2 requirement including the capital conservation buffer (5.0%); and the requirement from its consideration as a global systemic financial institution (0.25%). The ECB decision also requires that Santander maintains a CET1 capital ratio of 9.50% on an individual basis. This 9.50% capital requirement includes: the minimum Pillar 1 requirement (4.5%), and the Pillar 2 requirement including the capital conservation buffer (5.0%). These capital requirements do not imply any limitations referred to in CRR to distributions in the form of dividends, variable remuneration and coupon payments to holders of AT1 instruments.

In addition to the above, the CRR also includes a requirement for institutions to calculate a leverage ratio, report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their leverage ratio ("**LR**") in accordance with the methodology laid down in that article. In January 2014, the Basel Committee finalized a definition of how the LR should be prepared and set an indicative benchmark (namely 3% of tier 1 capital). Such 3% tier 1 LR will be tested during the monitoring period until 2017 when the Basel Committee will decide on the final calibration. Thus, the CRR does not contain a requirement for institutions to have a capital requirement based on the LR and the decision on whether such a requirement will be introduced has been left for a later date. In accordance with Article 511 of the CRR, the European Commission is required to submit, by the end of 2016, a report on the LR to the Council and the Parliament. The report will be based on an EBA report and will be accompanied, where appropriate, by a legislative proposal to introduce a binding LR or different LRs for different business models, applicable from 1 January 2018 onwards. As of 31 December 2015, the Group's fully loaded LR was 4.73% and the phase-in LR was 5.38.

On 9 November 2015, the Financial Stability Board (the "**FSB**") published its final principles and term sheet containing an international standard to enhance the loss absorbing capacity of global systemically important banks ("**G-SIBs**"), such as the Bank. The final standard consists of an elaboration of the principles on loss absorbing and recapitalization capacity of G-SIBs in resolution and a term sheet setting out a proposal for the implementation of these proposals in the form of an internationally agreed standard on total loss absorbing capacity ("**TLAC**") for G-SIBs. Once implemented in the relevant jurisdictions, these principles and terms will form a new minimum TLAC standard for G-SIBs, and in the case of G-SIBs with more than one resolution group, each resolution group within the G-SIB. If implemented as

contemplated, the TLAC requirement is expected to create material additional quantitative requirements for the Bank and each of its resolution sub-groups, including new minimum risk-based and leverage TLAC ratios of (i) the Bank's and each of its resolution sub-groups' regulatory capital plus certain types of long-term unsecured debt instruments and other eligible liabilities that can be written down or converted into equity during resolution to (ii) the Bank's or the resolution sub-group's risk-weighted assets and the Basel III leverage ratio denominator.

The FSB term sheet reflects a minimum Pillar 1 risk-based TLAC requirement of 16% of the Bank's and each of its resolution sub-groups' risk weighted assets as of 1 January 2019 and 18% as from 1 January 2022. Minimum TLAC under the term sheet must be also at least 6% of the Basel III leverage ratio denominator as from 1 January 2019, and at least 6.75% as from 1 January 2022.

While definitive TLAC requirements remain subject to significant uncertainty, based on the Bank's interpretation of the FSB's final principles and term sheet from November 2015 and assuming TLAC requirements at 18% (the fully phased-in requirement at 2022), a Basel III capital conservation buffer of 2.5% and a G-SIB surcharge of 1.0%, the estimated shortfall between the Bank's current capital and eligible debt levels and the requirements expected to be in force by 2019 would be such that, given historical annual debt issuance volumes by the Group, the Group believes the Bank and each resolution sub-group within the Group has the flexibility to comply with expected TLAC requirements through recurring issuances of qualifying debt. In addition, beginning 1 January 2022, regulatory capital instruments issued by Santander financing vehicle subsidiaries will not count towards Santander's TLAC. The amount of such instruments at 30 September 2015 was €3,102 million.

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

The obligation to set an MREL for the Group and individual Group entities applied under the BRRD from 1 January 2016. The European Union Single Resolution Board ("**SRB**") intends to determine MREL for all major banking groups established in the Banking Union over the course of 2016 although during this year the SRB will focus on determining MREL at the consolidated level of each group only. The MREL determinations allow for a case-by-case analysis. In the case of G-SIBs and the other major banking groups for which it is the resolution authority, the SRB will make its decisions taking into account the main features of TLAC so that these entities would be subject to a single requirement for loss absorbing capacity.

TLAC requirements contain a common minimum requirement but allow resolution authorities to specify additional additional TLAC requirements on an individual institution basis. TLAC requirements may further be imposed in addition to the minimum "own funds" requirements under CRD IV. Any failure by an institution to meet the applicable minimum TLAC requirements are supposed to 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. Furthermore, the implementation of TLAC at the European level is currently being discussed. Only some jurisdictions have designed a framework for such eligible instruments (other than own funds instruments) but there is not yet a European solution that gives certainty in relation to the eligibility of instruments and enforcement action for breach of the requirement to hold MREL. There can be no assurance that the Bank and each of its European resolution sub-groups, will be able to issue sufficient TLAC and MREL eligible liabilities to meet their requirements. That may limit the quantity of the Bank's CET1 capital which is available to meet its "combined buffer requirement", and may, therefore, limit the Bank's ability to make "discretionary payments" in the form of dividends, variable remuneration and coupon payments to holders of AT1 instruments.

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.

Banking union is expected to be achieved through new harmonized 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 (comprised by both the ECB and the national competent authorities) 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 123 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 123 financial institutions (as of 30 September 2015), 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 national competent authorities that are part of the SSM. Several steps have already been taken in this regard such as the recent publication of the Supervisory Guidelines and the approval of the Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014, establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation). In addition, this new body represents an extra cost for the financial institutions that funds 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 for the taxpayers and the real economy. 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 became effective 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 ("**SRF**"). Under the intergovernmental agreement ("**IGA**") signed by 26 EU member states on 21 May 2014, contributions by banks raised at national level were transferred to the SRF. The new Single Resolution Board ("**SRB**"), which is the central decision-making body of the SRM, started operating on 1 January 2015 and fully assumed its resolution powers on 1 January 2016. The SRB is responsible for managing the SRF and its mission is to ensure that credit institutions and other entities under its remit, which face serious difficulties, are resolved effectively with minimal cost to taxpayers and the real economy. From that date onwards, the SRF is also in place, funded by contributions from European banks in accordance with the methodology approved by the Council of the European Union. The SRF 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 accordance with the BRRD).

By allowing for the consistent application of EU banking rules through the SSM and the SRM, 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 ("**DGSD**") 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 only applies since 1 January 2016. The BRRD was partially implemented in Spain in June 2015 through Law 11/2015 of 18 June and Royal Decree 1012/2015 of 6 November. Additionally, on 24 November 2015, the European Commission proposed a draft regulation to amend Regulation (EU) 806/2014, in order to establish a European deposit insurance scheme for bank deposits.

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.

Other regulatory reforms adopted or proposed in the wake of the financial crisis

On 16 August 2012, the EU Regulation on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories, referred to as "EMIR", entered into force. While a number of the compliance requirements introduced by EMIR already apply, the European Securities and Markets Authority is still in the process of finalizing some of the implementing rules mandated by EMIR. EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, exchange of initial and variation margin, and various reporting and disclosure obligations. Although some of the particular effects brought about by EMIR are not yet fully foreseeable, many of its elements have led and may lead to changes which may negatively impact the Group's profit margins, require the Group to adjust its business practices or increase its costs (including compliance costs). The Markets in Financial Instruments legislation (which comprises a regulation ("**MiFIR**") and a directive ("**MiFID**")), the substantive provisions of which will become applicable on 3 January 2017, introduces a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardized. Additionally, it includes other requirements such as enhancing the investor protection's regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity instruments. MiFID was initially intended to enter into effect on January 3, 2017. Notwithstanding this, in order to ensure legal certainty and avoid potential market disruption, the European Commission has proposed delaying the effective date of MiFID 12 months, until January 3, 2018.

*The proposed financial transactions tax ("**FTT**")*

Separately, on 28 September 2011, the European Commission tabled a proposal for an European Council Directive on a common system of financial transaction tax ("**FTT**") and amending Directive 2008/7/EC. The objective of the proposal was to ensure a fair contribution of the financial sector to the costs of the financial crisis, avoid fragmentation of the single market and create appropriate disincentives for transactions that do not enhance the efficiency of financial markets. At the European Council meetings of 22 June and 10 July, 2012 and at the European Council meeting on 28 and 29 June 2012, it was ascertained that essential differences in opinion remained as regards the need to establish a common system of FTT at EU level and that the proposal would have not received unanimous support within the Council in the foreseeable future. On the basis of the request of eleven Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**Participating Member States**"), and in accordance with the authorization of the European Council of January 22, 2013, which was adopted following the European Parliament's consent given on 12 December 2012, the European Commission on 14 March 2013 submitted a proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax (the "**Commission Proposal**"). The Commission Proposal, essentially, mirrored the scope and objectives of the original FTT proposal put forward by the European Commission in 2011. Though further progress during 2015 was expected, work will have to continue in 2016 on a number of other open questions that constitute the "building blocks" of the design of the future FTT. This work will

have to cover all remaining aspects of the Commission Proposal on FTT, and in particular whether the final compromise should include specific provisions or exemptions to address concerns relating to the potential impact of the future FTT on the real economy and retirement schemes (pension plans, funds, and other products serving similar objective). The ECOFIN meeting held on December 8, 2015 was intended to be a make or break meeting for the prospects of an enhanced co-operation FTT. A statement following the meeting released by the 10 remaining Participating Member states (Estonia has now dropped out) represents progress of sorts but significant differences still remain. A further deadline of June 2016 has been set to reach consensus, though there is still real uncertainty over the prospects of the EU FTT. Depending on the final details, the proposed financial transaction tax could have a materially negative effect on the Bank's profits and business. Different forms of national financial transaction taxes have already been implemented in a number of European jurisdictions, including France and Italy, and these taxes may result in compliance costs as well as market consequences which may affect the Bank's revenues.

Royal Decree-Law 8/2014, of 4 July, introduced a 0.03 per cent. tax on bank deposits in Spain. This tax is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Bank operates.

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

Depending on the final details, the proposed financial transaction tax could have a materially negative effect on the Bank's profits and business. Different forms of national financial transaction taxes have already been implemented in a number of European jurisdictions, including France and Italy, and these taxes may result in compliance costs as well as market consequences which may affect the Bank's revenues.

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 or sponsorship of, or entering into certain credit-related transactions with related, covered funds, restrictions on the interchange fees earned through debit card transactions, and a requirement that bank regulators phase out the treatment of trust preferred capital instruments as Tier 1 capital for regulatory capital purposes.

With respect to OTC derivatives, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, trading through electronic platforms 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 US Commodity Futures Trading Commission ("**CFTC**") or the US Securities and Exchange Commission ("**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 and capital rules for swap dealers, are not yet effective and Santander continues to assess how compliance with these new rules will affect its business.

In July 2013, the U.S. bank regulators issued the U.S. Basel III final rules implementing the Basel III capital framework for U.S. banks and bank holding companies. Certain aspects of the U.S. Basel III final rules, such as new minimum capital ratios and a revised methodology for calculating risk-weighted assets, became effective for part of the Bank's U.S. operations on 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 Board**") and other U.S. regulators issued a final rule introducing a quantitative liquidity coverage ratio requirement on certain large banks and bank holding companies. The liquidity coverage ratio is part of the Basel Committee's international standards on quantitative liquidity metrics, which are in turn part of the international Basel III framework. The U.S. implementation of the liquidity coverage ratio is broadly consistent with the Basel Committee's liquidity standards, but is more stringent in several important respects. Although this final rule does not apply to foreign banking organizations ("**FBOs**"), the Federal Reserve Board 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 18 February 2014, the Federal Reserve Board 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. Pursuant to the final rule, as an FBO with over $50 billion of U.S. non-branch assets as of 30 June 2014, the Group submitted an IHC implementation plan to the Federal Reserve Board by 1 January 2015. As of the date of this Information Memorandum, the Group is continuing to refine this plan. Implementation and compliance with this plan has caused and will continue to cause the Group to invest significant management attention and resources.

The Volcker Rule, a statutory provision of the Dodd-Frank Act, prohibits "banking entities" from engaging in certain forms of proprietary trading or from sponsoring, investing in, or entering into certain credit-related transactions with related, covered funds, in each case subject to certain exceptions. The term "covered fund" is defined very broadly to include traditional hedge funds, private equity funds, certain securitization vehicles and other entities that rely on Sections 3(c)(1) or 3(c)(7) of the U.S. Investment Company Act of 1940 for an exemption under that act, as well as certain similar foreign funds. The Volcker Rule came into effect in July 2012 and in December 2013 U.S. regulators issued final rules implementing the Volcker Rule. The statute and final rules also contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, and trading solely outside the United States, and also permit certain ownership interests in certain types of funds to be retained. 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 applicable to each requirement. In general, all banking entities were required to conform to the requirements of the Volcker Rule, except for provisions related to certain funds, and to implement a compliance program by 21 July 2015. In December 2014, the Federal Reserve Board 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 and does not appear to apply to any investments in and relationships with covered funds put in place after 31 December 2013. Santander has assessed how the final rules implementing the Volcker Rule affect its businesses and has adopted the necessary measures to bring its activities into compliance with the rules.

Furthermore, Title I of the Dodd-Frank Act and the implementing regulations issued by the Federal Reserve Board 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 to the Federal Reserve Board and the FDIC a plan for the orderly resolution of its subsidiaries and operations that are domiciled in the United States in the event of future material financial distress or failure. In addition, each insured depository institution ("**IDI**") with assets of $50 billion or more, such as Santander Bank, N.A., Santander's U.S. national bank subsidiary, must submit a separate IDI resolution plan annually to the FDIC. The Title I and IDI plans each must include information on resolution strategy, major counterparties and interdependencies, among other things, and require substantial effort, time and cost to prepare. Santander submitted its most recent annual U.S. resolution plans in December 2015. The

Title I plan resolution plan is subject to review by the Federal Reserve Board and the FDIC. The IDI plan is subject to review solely by the FDIC.

On 30 October 2015, the Federal Reserve Board proposed a rule that would establish certain TLAC and long-term debt requirements in the United States generally consistent with the FSB's international TLAC standard. The proposed U.S. TLAC rule would require, among other things, the U.S. IHCs of non-U.S. G-SIBs, including the Group's future U.S. IHC, to maintain a minimum amount of internal TLAC and would separately require them to maintain a minimum amount of internal long-term debt. The terms "internal TLAC" and "internal long-term debt" refer to instruments that would be required to be issued internally within the banking group, from the IHC to a foreign parent entity. The proposed minimum amounts of internal TLAC and internal long-term debt vary depending on the home country resolution authority's preferred resolution strategy. Under the proposed rule, the Group's U.S. IHC, if it is treated as a resolution entity IHC under the proposed rule, would be required to maintain, on a fully phased-in basis by 2022, internal TLAC of at least 18% of risk-weighted assets (plus an internal TLAC buffer of an additional 2.5%), at least 6.75% of the Basel III leverage ratio denominator and at least 9% of average total consolidated assets, as well as internal long-term debt of at least 7% of risk-weighted assets, at least 3% of the Basel III leverage ratio denominator and at least 4% of average total consolidated assets. Internal long-term debt instruments would be subject to certain eligibility criteria, including issuance to a foreign parent entity (a non-U.S. entity that controls the IHC) and the inclusion of a contractual trigger allowing for, in limited circumstances, the cancellation of, or immediate conversion or exchange of the instrument into, common equity tier 1 capital upon an order by the Federal Reserve Board. As proposed, the internal TLAC requirements may be satisfied with a combination of eligible long-term debt instruments and tier 1 capital, whereas the internal long-term debt requirements would be required to be satisfied only with eligible long-term debt instruments. The proposed rule would also require internal TLAC to be contractually subordinated to ineligible debt instruments and prohibit the U.S. IHC from issuing any external short-term debt, issuing parent guarantees with certain impermissible cross defaults, entering into any qualified financial contract with a third party, benefitting from upstream guarantees or issuing any instruments with certain setoff rights.

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

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

Certain of the Group's U.S. banking subsidiaries, including Santander Holdings USA, Santander's U.S. bank holding company subsidiary, are subject to stress testing and capital planning requirements under regulations implementing the Dodd-Frank Act or other banking laws or policies. In March 2014 and March 2015, the Federal Reserve Board, as part of its Comprehensive Capital Analysis and Review ("**CCAR**") process, objected on qualitative grounds to the capital plans submitted by Santander Holdings USA. In its 2015 public report on CCAR, the Federal Reserve Board cited widespread and critical deficiencies in Santander Holdings USA's capital planning processes, including specific deficiencies in governance, internal controls, risk identification and risk management, management information systems, and supporting assumptions and analysis. As a result of the 2014 and 2015 CCAR objections, Santander Holdings USA is not permitted to make any capital distributions without the Federal Reserve Board's approval, other than the continued payment of dividends on Santander Holdings USA's outstanding class of preferred stock, until a new capital plan is approved by the Federal Reserve Board. The deadline for Santander Holdings USA's next capital plan submission is in April 2016, and there is the risk that the Federal Reserve Board will object to Santander Holdings USA's next capital plan.

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

Other supervisory actions and restrictions on U.S. activities

In addition to the foregoing, U.S. bank regulatory agencies from time to time take supervisory actions under certain circumstances that restrict or limit a financial institution's activities. In some instances, the Group is subject to significant legal restrictions on its ability to publicly disclose these actions or the full details of these actions. In addition, as part of the regular examination process, the Group's U.S. banking subsidiaries' regulators may advise the Group's U.S. banking subsidiaries to operate under various restrictions as a prudential matter. The U.S. supervisory environment has become significantly more demanding and restrictive since the financial crisis of 2008. Under the U.S. Bank Holding Company Act, the Federal Reserve Board has the authority to disallow the Group and its U.S. banking subsidiaries from engaging in certain categories of new activities in the United States or acquiring shares or control of other companies in the United States. Such actions and restrictions currently applicable to the Group or its U.S. banking subsidiaries could adversely affect costs and revenues. Moreover, efforts to comply with non-public supervisory actions or restrictions could require material investments in additional resources and systems, as well as a significant commitment of managerial time and attention. As a result, such supervisory actions or restrictions could have a material adverse effect on the Group's business and results of operations; and it may be subject to significant legal restrictions on its ability to publicly disclose these matters or the full details of these actions. In addition to such confidential actions and restrictions, in July 2015, SHUSA became subject to a public enforcement action with the FRB Boston under which SHUSA entered into a written agreement to make enhancements with respect to, among other matters, board oversight of the consolidated organization, risk management, capital planning and liquidity risk management.

The Group is subject to potential intervention by any of the Group's regulators or supervisors, particularly in response to customer complaints.

As noted above, the Group's business and operations are subject to increasingly stringent rules and regulations with which compliance is required in order to conduct banking and financial services businesses. These apply to business operations, affect financial returns, include reserve and reporting requirements, and prudential and conduct of business regulations. These requirements are set by the relevant central banks and regulatory authorities that authorize, regulate and supervise the Group in the jurisdictions in which the it operates.

In their supervisory roles, the regulators seek to maintain the safety and soundness of financial institutions with the aim of strengthening the protection of customers and the financial system. The supervisors' continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy. In general, these regulators have a more outcome-focused regulatory approach that involves more proactive enforcement and more punitive penalties for infringement. As a result, the Group faces increased supervisory scrutiny (resulting in increasing internal compliance costs and supervision fees), and in the event of a breach of the Group's regulatory obligations the Group is likely to face more stringent regulatory fines. Some of the regulators are focusing intently on consumer protection and on conduct risk and will continue to do so. This has included a focus on the design and operation of products, the behavior of customers and the operation of markets. Some of the laws in the relevant jurisdictions on which the Group operates, give the regulators the power to make temporary product intervention rules either to improve a firm's systems and controls in relation to product design, product management and implementation, or to address problems identified with financial products. These problems may potentially cause significant detriment to consumers because of certain product features or governance flaws or distribution strategies. Such rules may prevent institutions from entering into product agreements with customers until such problems have been solved. Some of the regulatory regimes on the relevant jurisdictions on which the Group operates, requires to be in compliance across all aspects of the Group's business, including the training, authorization and supervision of personnel, systems, processes and documentation. If the Group fails to comply with the relevant regulations, there would be a risk of an adverse impact on the Group's business from sanctions, fines or other actions imposed by the regulatory authorities. Customers of financial services institutions, including the Group's customers, may seek redress if they consider that they have suffered loss as a result of the mis-selling of a particular product, or through incorrect application of the terms and conditions of a particular product. Given the inherent unpredictability of litigation and the evolution of judgments by the relevant authorities, it is possible that an adverse outcome in some matters could harm the Group's reputation or have a material adverse effect on the Group's operating results, financial condition and prospects arising from any penalties imposed or

compensation awarded, together with the costs of defending such an action, thereby reducing the Group's 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.

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 usually 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.

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 the Group, among other things, to conduct full customer due diligence regarding sanctions and politically-exposed person screening, keep customer, account and transaction information up to date and to implement 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 requires 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 deter threats and criminality effectively. 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 recognizing criminal tactics and understanding the level of sophistication of criminal organizations. Where Santander outsorces 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, 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 become 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.

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 Santander's business, and extreme liquidity constraints may affect Santander's current operations and its ability to fulfill regulatory liquidity requirements, 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 Santander's 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 Santander's 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 Santander's 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 or competition with other products, such as mutual funds. 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 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 some deposits could cause liquidity problems for Santander in the future if deposits are not made in the volumes Santander expects or are not renewed. If a substantial number of Santander's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Group's operations may be materially and adversely affected.

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

Santander cannot assure you 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, Santander 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 Santander 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, Santander's 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 Santander's access to capital markets and adversely affect its commercial business. For example, a ratings downgrade could adversely affect Santander's ability to sell or market certain of its products, engage in certain longer-term and derivatives transactions and retain its customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of 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—A3 with stable outlook by Moody's Investors Service España, S.A., A- stable outlook by Standard & Poor's Ratings Services and A- stable outlook by Fitch Ratings Ltd. In June 2015, Moody's upgraded Santander's rating from Baa1 to A3 in light of their new banking methodology and in October 2015 Standard & Poor's upgraded Santander's rating from BBB+ to A- following the upgrade of the sovereign credit rating of Spain.

Santander UK's long-term debt is currently rated investment grade by the major rating agencies: A1 with stable outlook by Moody's Investors Service, A with stable outlook by Standard & Poor's Ratings Services and A with positive outlook by Fitch Ratings.

Banco Santander (Brasil)'s long-term debt in foreign currency is currently rated BB with a negative outlook by Standard & Poor's Ratings Services, BBB- with negative outlook by Fitch Ratings Ltd. and Ba3 with a negative outlook by Moody's Investors Service. During the course of 2015 and the first quarter of 2016 the three major agencies lowered the rating as a result of the lowering of Brazil's sovereign credit rating.

The Bank conducts substantially all of its material derivative activities through Banco Santander, S.A. and Santander UK. Santander estimates that as of 31 December 2015, if all the rating agencies were to downgrade its long-term senior debt ratings by one notch Santander would be required to post up to €200 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two notch downgrade would result in a requirement to post up to €6 million in additional collateral. Santander estimates that as of 31 December 2015, 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 £4.6 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 £0.3 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 was required to cancel its derivatives contracts with certain counterparties and were unable to replace such contracts, its market risk profile could be altered**.**

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. In particular, the amount of its reported non-performing loans may increase in the future as a result of growth in Santander's 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 Santander's borrowers and counterparties or a general deterioration in economic conditions in continental Europe, the United Kingdom, Latin America, particularly Brazil, the United States or global economic conditions, impact of political events, events affecting certain industries or events affecting financial markets and global economies. Santander cannot assure you that it will be able to effectively control the level of the non-performing loans in 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 Santander's loan portfolio. These factors include, among other things, its borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis demonstrated, many of these factors are beyond Santander's control. As a result, there is no precise method for predicting loan and credit losses, and Santander cannot assure you that its current or future loan loss reserves will be sufficient to cover actual losses. If Santander's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of Santander's 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 Santander's estimates of incurred losses, Santander may be required to increase its loan loss reserves, which may adversely affect Santander. If Santander is 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 49% of its loan portfolio as of 31 December 2015. 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, Santander's non performing loans ("**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 3.54% at 31 December 2010, to 3.90% at 31 December 2011, to 4.54% at 31 December 2012 and to 5.64% at 31 December 2013. Although the trend changed during the last two years as Santander's NPL ratio decreased to 5.19% at 31 December 2014 and to 4.36% as of 31 December 2015, Santander can provide no assurance that Santander's NPL ratio will not increase again as a result of the aforementioned and other factors. High 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.

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;
- volatility of credit spreads;
- the market value of the Group's securities holdings;
- gains from sales of loans and securities; and
- gains and losses from derivatives.

Interest rates are sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors. Variations in interest rates could affect the Group's net interest income, which comprises the majorty of the Group's revenue, reducing its growth rate and potentially resulting in losses. This results from the varying effect that a change in interest rates may have on the interest earned on the Group's assets and the interest paid on its borrowings. In addition, the Group may incur costs (which, in turn, will impact its results) as the Group implements strategies to reduce future interest rate exposure.

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

In addition, the Group may experience increased delinquencies in a low interest rate environment when such an environment is accompanied by high unemployment and recessionary conditions.

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

The Group is also exposed to equity price risk in its investments in equity securities in the banking book and in the trading portfolio. The performance of financial markets may cause changes in the value of its investment and trading portfolios. The volatility of global equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of the Group's investments in equity securities and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against the Group's results. To the extent any of these risks materialize, 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 eight years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. The Group has material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then-prevailing market conditions, may result in negative changes in the fair values of the Group's financial assets and these may also translate into increased impairments. In addition, the value ultimately realized by the Group on disposal may be lower

than the current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on 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 the Group's 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. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate.

Some of the Group's qualitative tools and metrics for managing risk are based upon its use of observed historical market behavior. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The 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. The Group could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed]. In addition, if existing or potential customers or counterparties believe the Group's risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with the Group. This could have a material adverse effect on the Group's reputation, operating results, financial condition and prospects.

As a commercial bank, one of the main types of risks inherent in the Group's business is credit risk. For example, an important feature of 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 or IT systems errors. In exercising their judgment on current or future credit risk of the Group's customers, the Group's employees may not always be able to assign an accurate credit rating, which may result in the Group's exposure to higher credit risks than indicated by its risk rating system.

In addition, the Group has refined its credit policies and guidelines to address potential risks associated with particular industries or types of customers. However, it may not be able to timely detect all possible 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 the 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, credit ratings, businesses and/or financial conditions of the Group's borrowers, which in turn could increase its NPL 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. The Group may also be adversely affected by the negative effects of the heightened regulatory environment on its customers due to the high costs associated with regulatory compliance and proceedings. Any of the conditions described above could have a material adverse effect on 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. Santander calculates the amount of its defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets, or others. The accounting and disclosures are based on International Financial Reporting Standards previously adopted by the European Union ("**EU-IFRS**") and on those other requirements defined by the local supervisors. Given the nature of these obligations, changes in the assumptions that support valuations, including market conditions, can result in actuarial losses which would in turn impact the financial condition of Santander's pension funds. Due to pension obligations generally being long term obligations, fluctuations in interest rates have a material impact on the projected costs of Santander's defined benefit obligations and therefore on the amount of pension expense that it accrues.

Any increase in the current size of the deficit in 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 Santander's business and reduce its capital resources. While Santander can control a number of the above factors, there are some over which it has no or limited control. Increases in Santander's pension liabilities and obligations could have a material adverse effect on its 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 the Group's results of operations.

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

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

Non-traditional providers of banking services, such as internet based e-commerce providers, mobile telephone companies and internet search engines may offer and/or increase their offerings of financial products and services directly to customers. These non-traditional providers of banking services currently have an advantage over traditional providers because they are not subject to banking regulations. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If the Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, the Group's business may be adversely affected. In addition, its failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent the Group's access to new digital-based markets which would in turn have an adverse effect on its competitive position and business.

Increasing competition could also require that the Group 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.

The Group'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. The Group's success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Technological changes may further intensify and complicate the competitive landscape and influence client behavior. If the Group's products and services employ technology that is not as attractive to its clients as that employed by its competitors, if it fails to employ technologies desired by clients before the Group's competitors do so, or if the Group fails to execute effectively on targeted strategic technology initiatives, its business and results could be adversely affected. In addition, the Group cannot respond in a timely fashion to the changing needs of its clients, 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 "*The Group is exposed to risk of loss from legal and regulatory proceedings*."

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

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses. From time to time, 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. The Group 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 its growth effectively or deliver its strategic growth objectives. Challenges that may result from the Group's strategic growth decisions include its ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow its existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates, including local regulation that can reduce or eliminate expected synergies;
- 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.

In addition, any acquisition or venture could result in the loss of key employees and inconsistencies in standards, controls, procedures and policies.

Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond the Group's control. Any of these factors, individually or collectively, could have a material adverse effect on the Group.

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 impairrment does not, however, affect its regulatory capital. While no material impairment of goodwill was recognised in 2013, 2014 or 2015, 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 is also subject to risk with respect to security breaches affecting the vendors and other parties that interact with Santander's third party vendors. As Santander's interconnectivity with such third parties increases, it increasingly faces the risk of operational failure with respect to their systems 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 Santander's ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

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

Maintaining a positive reputation is critical to the Group 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 it fails to properly identify and manage potential conflicts of interest. 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 favour.

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.

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

The Group takes protective measures and continuously monitors and develops its systems to protect its technology infrastructure and data from misappropriation or corruption, but 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.

The Group has seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. The Group has been and continues to be subject to a range of cyber-attacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as

significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of the Group's information technology systems used to service its customers. As attempted attacks continue to evolve in scope and sophistication, the Group may incur significant costs in its attempt to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to its customers. If the Group fails to effectively manage its cyber security risk, e.g. by failing to update its systems and processes in response to new threats, this could harm its reputation and adversely affect its operating results, financial condition and prospects through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets. In addition, the Group may also be subject to cyber-attacks against critical infrastructures of the countries in which it operates. The Group's information technology systems are dependent on such national critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect its ability to service its customers. As the Group does not operate such national critical infrastructure, it has limited ability to protect its information technology systems from the adverse effects of such a cyber-attack.

The Group manages and holds confidential personal information of customers in the conduct of its banking operations. Although the Group has procedures and controls to safeguard personal information in its possession, unauthorized disclosures could subject it to legal actions and administrative sanctions as well as damages that could materially and adversely affect the Group's operating results, financial condition and prospects. Further, the Group's business is exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter or prevent employee misconduct, and the precautions the Group takes to detect and prevent this activity may not always be effective. In addition, the Group is required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorized access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of the Group's systems could cause information, including data related to customer requests, to be lost or to be delivered to the Group's clients with delays or errors, which could reduce demand for its services and products and could materially and adversely affect it.

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 provision and pension obligation for liabilities.

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

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

Disclosure controls and procedures over financial reporting are designed to provide reasonable assurance that information required to be disclosed by the company in reports filed or submitted under the Securities Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's ("**SEC**") rules and forms.

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

Foreign Private Issuer and Other Risks

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

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

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

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

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

As a holder of ADSs you will have different shareholders' rights than in the United States and certain other jurisdictions.

Santander's corporate affairs are governed by its bylaws and Spanish corporate law, which may differ from the legal principles that would apply if it were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Spain. Under Spanish corporate law, you may have fewer and less well-defined rights to protect your interests than under the laws of other jurisdictions outside Spain.

Although Spanish corporate law imposes restrictions on insider trading and price manipulation, the form of these regulations and the manner of their enforcement may differ from that in the U.S. securities markets or markets in certain other jurisdictions. In addition, in Spain, self-dealing and the preservation of shareholder interests may be regulated differently, which could potentially disadvantage you as a holder of the shares underlying ADSs.

ADS holders may be subject to additional risks related to holding ADSs rather than shares.

Because ADS holders do not hold their shares directly, they are subject to the following additional risks, among others:

- as an ADS holder, you may not be able to exercise the same shareholder rights as a direct holder of ordinary shares;
- Santander and the depositary may amend or terminate the deposit agreement without the ADS holders' consent in a manner that could prejudice ADS holders or that could affect the ability of ADS holders to transfer ADSs; and

the depositary may take or be required to take actions under the Deposit Agreement that may have adverse consequences for some ADS holders in their particular circumstances.

RISKS IN RELATION TO THE NOTES

There is no active trading market for the Notes

The Notes may have no established trading market when issued, and one may never develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes at a particular time or may not be able to sell their Notes at a favourable price. Although applications have been made for Notes issued under the Programme to be admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange Plc, 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 15 April 2016 (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) 19% 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 section titled "*Taxation – Taxation in Spain—Information about the Notes in Connection with Payments*".

The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof. None of the Issuer, 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 19%.

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.

The Insolvency Law 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, (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency will not be enforceable, and (iii) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.

The Insolvency Law, in certain instances, also has the effect of modifying or impairing creditors' rights even if the creditor, either secured or unsecured, does not consent to the amendment. Secured and unsecured dissenting creditors may be written down not only once the insolvency has been declared by the judge as a result of the approval of a creditors' agreement (*convenio concursal*), but also as a result of an out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*) without insolvency proceedings having been previously opened (e.g., refinancing agreements which satisfy certain requirements and are validated by the judge), in both scenarios (i) to the extent that certain qualified majorities are achieved and unless (ii) some exceptions in relation to the kind of claim or creditor apply (which would not be the case for the Notes).

The majorities legal regime envisaged for these purposes also hinges on (i) the type of the specific restructuring measure which is intended to be imposed (e.g., extensions, debt reductions, debt for equity swaps, etc.) as well as (ii) on the part of claims to be written-down (i.e. secured or unsecured, depending on the value of the collateral as calculated pursuant to the rules established in the Insolvency Law).

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall be always subject to the measures contained therein, if passed. Additionally, liabilities from those creditors considered specially related persons for the purpose of Article 93.2 of the Insolvency Law would not be taken into account for the purposes of calculating the majorities required for the out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*).

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.

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

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

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

The taking of any action under Law 11/2015, which partially implements BRRD, could materially affect the value of any Notes

The BRRD and its partial implementation in Spain through Law 11/2015 and RD 1012/2015 are designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. The four resolution tools are: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt to equity (the "**general bail-in tool**"), which equity could also be subject to any application of the relevant resolution tools. An institution will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is failing or likely to fail may depend on a number of factors which may be outside of that institution's control.

The powers set out in the BRRD, as implemented in Spain through Law 11/2015 and RD 1012/2015 will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool from 1 January 2016. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

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 prepared in accordance with EU-IFRS, 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 2015; and

2. an English language translation of the audited financial statements of Santander Commercial Paper, S.A. Unipersonal, prepared in accordance with generally accepted accounting principles in Spain, for the years ended 31 December 2014 and 31 December 2015.

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 Plc.

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

Acquisitions, Dispositions, Reorganizations

The Group's principal acquisitions and dispositions in 2015, 2014 and 2013 were as follows:

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

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

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

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

On 22 March 2013, 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, the Group held 70% of the share capital of Bank Zachodni WBK S.A. and the remaining 30% was held by non-controlling holders.

Mergers by absorption of Banesto and Banco Banif

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 Santander was made public. Santander covered the exchange of Banesto shares with shares held as treasury stock based on the exchange ratio of 0.633 shares of 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 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, S.A. 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.

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

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

Insurance business in Spain

On 20 December 2012 Santander announced that it had reached an agreement with Aegon. In this regard, Santander 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 would enter into a distribution agreement for the sale of insurance products in Spain through the commercial networks for a period of 25 years. The agreement would not affect savings, health and vehicle insurance, which would continue to be owned and managed by Santander.

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

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

This transaction gave rise to a gain of €385 million recognized 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.

Agreement with Elavon Financial Services Limited

On 19 October 2012 Santander announced that it had entered into an agreement with Elavon Financial Services Limited to jointly develop the payment services business in Spain through point-of-sale credit and debit card terminals at merchants.

This transaction involved the creation of a joint venture, 51% owned by Elavon and 49% owned by Santander, to which Santander transferred its aforementioned payment services business in Spain (excluding the former Banesto).

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

Agreement with Warburg Pincus and General Atlantic

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 Santander 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 IHL**"), 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 authorizations were obtained from various regulators, the agreement was executed through the acquisition of a 50% ownership interest in SAM IHL's share capital by Sherbrooke Acquisition Corp SPC (an investee of Warburg Pincus and General Atlantic) for €449 million. At that date, SAM IHL 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 IHL 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 IHL at market value on the fifth and seventh anniversaries of the transaction, unless a public offering of SAM IHL shares has taken place prior to those dates.

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

As a result of the aforementioned transaction, the Group recognized 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.

Sale of Altamira Asset Management

On 21 November 2013 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 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 recognized in Santander'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.

Santander Consumer USA

In January 2014, the public offering of shares of Santander Consumer USA Inc. ("**SCUSA**") was completed and the company was admitted to trading on the New York Stock Exchange. The offering

represented 21.6% of SCUSA's share capital, of which 4.23% related to the ownership interest sold by the Group. Following this sale, 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 recognized a net gain of €730 million in the consolidated income statement for 2014.

On 3 July 2015, the Group announced that it had reached an agreement to acquire the stake held by DDFS LLC in SCUSA, representing 9.68% of the company, for U.S. $928 million. The transaction is subject to regulatory approval. If the transaction closes, the Group's stake in SCUSA will be approximately 68.62%.

Agreement with El Corte Inglés

On 7 October 2013 Santander announced that it 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 authorizations, the acquisition was completed. Santander Consumer Finance, S.A. paid €140 million for 51% of the share capital of Financiera El Corte Inglés E.F.C., S.A.

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

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

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

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

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

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

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

Agreement with CNP

On 10 July 2014 Santander 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 authorizations were obtained, CNP paid €297 million to acquire 51% or a controlling interest in, the three aforementioned insurance companies. The agreement includes deferred payments to CNP in 2017 and 2020 and deferred amounts receivable by the Group in 2017, 2020 and 2023, based on the business plan.

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

Agreement with GE Capital

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 November 6, 2014, following the receipt of the relevant authorizations.

Agreement with Banque PSA Finance

Santander, through its subsidiaries Santander Consumer Finance, S.A. and Banque PSA Finance, the vehicle financing unit of the PSA Peugeot Citroën Group, entered into an agreement in July 2014 for the joint operation of a vehicle financing business in twelve European countries. Pursuant to the terms of the agreement, Santander will finance this business under certain circumstances and conditions from the date on which the transaction is completed. In addition, in certain countries, Santander will purchase the current lending portfolio of Banque PSA Finance. Santander also entered into a cooperation agreement relating to the insurance business in all these countries.

In January 2015, the relevant regulatory authorizations were obtained for the commencement of activities in France and the United Kingdom. As a result, Santander acquired in February 2015 50% of Société Financière de Banque - SOFIB and PSA Finance UK Limited for €462 million and €148 million, respectively.

In addition, under the framework agreement, PSA Insurance Europe Limited and PSA Life Insurance Europe Limited (both insurance companies with registered office in Malta) were incorporated on 1 May 2015 in which Santander contributed 50% of the share capital, amounting to €23 million. On 3 August 2015 Santander acquired a full ownership interest in PSA Gestão - Comércio E Aluguer de Veiculos, S.A. (a company with registered office in Portugal) and the loan portfolio of the Portuguese branch of Banque PSA Finance for €10 million and €25 million, respectively. On 1 October 2015 PSA Financial Services Spain, E.F.C., S.A. (a company with registered office in Spain) was incorporated, in which Santander contributed €181 million (50% of the share capital).

Agreement to acquire Carfinco

On 16 September 2014, Santander announced that it had reached an agreement to acquire the listed Canadian company Carfinco Financial Group Inc. ("**Carfinco**"). The board of directors of Carfinco approved the transaction and recommended to its shareholders that they vote in favour of it at the general meeting called for such purpose, and the transaction was completed on March 6, 2015 for an amount of €209 million generating goodwill of €162 million.

Metrovacesa, S.A.

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 reached an agreement to promote the delisting of the shares of Metrovacesa, S.A. and they voted in favor of this at the general meeting held for this purpose 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. After this transaction, Metrovacesa, S.A. is fully consolidated with the Group (until then it was accounted for by the equity method).

Lastly, on 15 September 2015, the Group acquired 13.8% of Metrovacesa, S.A. from Banco Sabadell, S.A. for €253 million, raising its ownership interest to 72.51%.

Acquisition of Banco Internacional do Funchal (Banif)

On 21 December 2015, Santander announced that, with the aim of providing continuity to Banco Internacional do Funchal (Banif) and safeguarding the interest of its customers, the Bank of Portugal, the resolution authority, had decided to award Banco Banif's business to Banco Santander Totta, a subsidiary of Banco Santander.

The transaction was carried out via the transfer of a large part (the commercial banking business) of Banif's assets and liabilities to Santander Totta. Banco Santander Totta paid €150 million for Banco Banif's assets and liabilities. Meanwhile, other assets and liabilities remained in Banco Banif, which is responsible for any possible litigation resulting from its past activity, for their orderly liquidation or sale.

The acquisition of Banco Banif's businesses positioned Banco Santander Totta as Portugal's second privately-held bank, after BCP-Milenium, with a 14.5% market share in loans and deposits. Banco Banif contributes 2.5 points in market share and has a network of 150 branches and 400,000 customers.

This transaction has no material impact on Santander's capital.

Custody business

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. As of 31 December 2015 the sale remained subject to the obtainment of the relevant regulatory authorizations.

Merger of Santander Asset Management and Pioneer Investments

On 23 April 2015 Santander announced that it had reached a preliminary and exclusive agreement with its partners Warburg Pincus and General Atlantic, subject to the signing of final terms, to merge Santander Asset Management and Pioneer Investments to create a leading global asset manager in Europe and Latin

America. The combined company, with approximately €353 billion in assets under management at the close of 2014, will be called Pioneer Investments.

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

The transaction values Santander Asset Management at €2.6 billion and Pioneer Investments at €2.75 billion. Warburg Pincus and General Atlantic will make an additional equity investment into the company as part of the transaction. This transaction will not have any material impact on Santander's capital.

On 11 November 2015, the final framework agreement was signed by UniCredit, Santander, Warburg Pincus and General Atlantic for the integration of these businesses in accordance with the aforementioned structure. The transaction is scheduled to be completed in 2016 once the preconditions established in the framework agreement have been met and the relevant regulatory authorizations have been obtained.

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

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%.

This transaction has made Santander the second-largest shareholder in BoS and its strategic international partner. The cost of the investment, including the purchase of HSBC Ltd.'s stake and the cooperation agreement with Bank of Shanghai, was estimated at approximately €400 million. The transaction has had an impact of approximately 1 basis point on the Santander Group's capital.

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

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

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

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

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 Bank Zachodni WBK S.A. held by the Group in the market for €285 million, which gave rise to an increase of €292 million in Non-controlling interests.

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

Banco Santander (Brasil) optimized its equity structure

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

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

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

Capital Increases

As of 31 December 2013, Santander'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, 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 30 January 2014, 29 April 2014, 30 July 2014 and 5 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 4 November 2014 the Group issued 370,937,066 shares (3.27% of the share capital) giving rise to a capital increase of €185,468,533.

As of 31 December 2015, the Group's capital had increased by 1,850,077,920 shares, or 14.70% of its total capital as of 31 December 2014, to 14,434,492,579 shares as a result of the following transactions:

- *Capital increase*: On 8 January 2015 an extraordinary meeting of the board of directors took place to approve a capital increase with the exclusion of pre-emption rights for an amount of up to €7,500 million. 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 it 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 (9.64% of the share capital before the capital increase) 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 (€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.
- *Scrip Dividend:* On 29 January 2015, 29 April 2015 and 4 November 2015, the Group issued 262,578,993 shares, 256,046,919 shares and 117,859,774 shares (1.90%, 1.82% and 0.82% of the share capital, respectively), giving rise to capital increases of €131,289,496.50, €128,023,459.50 and €58,929,887, respectively.

There have been no recent events particular to the Issuer and the Guarantor that are, to a material extent, relevant to the evaluation of the Issuer's and the Guarantor's solvency.

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 "*Risk Factors*", above.
Arranger:	Barclays Bank PLC
Dealers:	Banco Santander, S.A., Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank International Limited, Commerzbank Aktiengesellschaft, Coöperatieve Rabobank U.A. (Rabobank), Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., 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:	Citibank N.A., London Branch
Listing Agent:	A&L Listing Limited
Programme Amount:	The aggregate principal amount of Notes outstanding and guaranteed at any time will not exceed €15,000,000,000 or its equivalent in alternative currencies subject to applicable legal and regulatory requirements. The Programme Amount may be increased from time to time in accordance with the Dealer Agreement.
Currencies:	Notes may be issued in Australian Dollars, Canadian Dollars, Euro, Japanese Yen, New Zealand Dollars, Sterling, Swiss Francs and United States Dollars and such other currencies as may be agreed between the Issuer and the relevant Dealer(s) from time to time and subject to the necessary regulatory requirements having been satisfied.
Denominations:	Global Notes shall be issued (and interests therein exchanged for Definitive Notes, if applicable) in the following minimum denominations (or integral multiples thereof): (a) for U.S.$ Notes, U.S.$500,000; (b) for euro Notes, €500,000; (c) for Sterling Notes, £100,000; (d) for Yen Notes, Yen 100,000,000; (e) for Swiss franc Notes, CHF 500,000; (f) for Australian dollar Notes, A$1,000,000; (g) for Canadian dollar Notes, C$500,000; or (h) for New Zealand dollar Notes, NZ$1,000,000, or such other conventionally accepted denominations in those currencies (including, in addition to those listed above, Danish

	kroner, Swedish kroner and Norwegian kroner) as may be agreed between the Issuer and the relevant Dealer from time to time, subject in each case to compliance with all applicable legal and regulatory requirements and **provided that** the equivalent of that denomination in Sterling as at the Issue Date is not less than £100,000.
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 *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.
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 *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.
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, 19%). 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 Plc and/or listed, traded and/or quoted on any other listing authority, stock exchange and/or quotation system as the Issuer and the Guarantor may decide. The Issuer and the Guarantor shall be responsible for any fees incurred therewith. The Issuer shall notify the relevant Dealer of any change of listing venue in accordance with the Dealer Agreement. No Notes may be issued on an unlisted basis.
Delivery:	The Notes will be available in London for delivery to Euroclear or Clearstream, Luxembourg or to any other recognised clearing system (as its nominee or depositary) in which the Notes may from time to time be held.
Selling Restrictions:	The offering and sale of the Notes is subject to all applicable selling restrictions including, without limitation, those of the United States of America, the United Kingdom, Japan, 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 €5,977,000,000.00 of Euro-commercial paper notes, £145,000,000.00 Euro-commercial paper notes, JPY 44,000,000,000.00 Euro-commercial paper notes, USD 265,000,000.00 Euro-commercial paper notes and USD 254,500,000.00 of U.S. commercial paper notes outstanding as of 31 March 2016 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 2015.

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 2015 and 31 December 2014, 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, if 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 €7,217,246,289.50 divided into 14,434,492,579 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 2015, Santander had a market capitalization of €65.8 billion, stockholders' equity of €88.0 billion and total assets of €1,340.3 billion. Santander had €1,050.0 billion in customer funds under management[1] at that date. As of 31 December 2015, Santander had 58,049 employees and 5,548 branch offices in Continental Europe, 25,866 employees and 858 branches in the United Kingdom, 89,819 employees and 5,841 branches in Latin America, 18,123 employees and 783 branches in the United States and 2,006 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.

In the third quarter 2015, Santander carried out a change in its reported segments resulting from the application of new financial criteria to reflect its current reporting structure.

This change in Santader's reported segments aimed to (i) increase transparency in the Corporate Center segment; (ii) facilitate the analysis of all business units; and (iii) highlight the activity carried out by the Corporate Center segment. The consolidated figures for the Group are unaffected.

The main changes were the following:

1. Change of criteria: the change in segments mainly affected the income statement line items of net interest income, gains on financial transactions and operating expenses, due to decrease in the Corporate Center segment and its allocation to the business units. The main changes were as follows:

Previous criteria	New criteria
The Spain business unit was treated as a retail network, thus individualized internal transfer rates (ITR)* by operation were applied to calculate the financial margin, and the balance sheet was matched in terms of interest rate risk. The counterparty of these results was the Corporate	The Spain business unit is treated like the other units of the Group. All results from financial management of the balance sheet are recorded in Spain, including the results from interest rate risk management.

[1] Including customer deposits, marketable debt securities, subordinated liabilities and other customer funds under management.

Center segment.	
The cost of issuances eligible as additional Tier 1 capital (AT1) made by Brazil and Mexico to replace common equity tier 1 (CET1) was recorded in the Corporate Center segment, as the issuances were made for capital optimization in these units.	Each country recognizes the cost related to its AT1 issuances.
The Corporate Center segment costs were charged to the countries/units; this criterion has not changed in recent years.	The scope of costs allocated to the units from the Corporate Center segment is expanded.

* ITR is a mechanism designed to help manage interest rate and liquidity risks, by isolating them from the business areas and centralizing them into the Financial Management Area in the Corporate Center. The main function of a transfer rate system is to set the price of the fund exchanges between business areas and the Corporate Center. This price represents the true opportunity cost of the funds (raised or invested) and has to take into account the costs of all associated interest rate and liquidity risks. Whether it is a fund investment or a fund raising transaction, the different business areas obtain a spread over or under the current transfer rate, and that spread is used to analyze the results of these business areas.

2. Creation of a new business segment Real Estate Operations in Spain, which combines the former "Spain's Run-Off Real Estate" business segment and other real estate assets, such as Santander's subsidiary Metrovacesa, the assets from Santander's old real estate fund (Santander Banif Inmobiliario) and others, previously included in the Corporate Center segment.

3. The United States geographic segment is modified such that it continues to include the businesses of Santander Holdings USA ("**SHUSA**"), Santander Bank and Santander Consumer USA Holding Inc. ("**SCUSA**"), and the commercial banking activity of Banco Santander Puerto Rico and in addition includes Banco Santander International, Santander Investment Securities Inc. and the Bank's New York branch, units that were previously included in Latin America.

4. The business of Private Banking, Asset Management and Insurance, which previously appeared as an independent global business, is now integrated into Retail Banking.

Other changes include an annual change in the scope of the customer global relationship model between commercial banking and global banking and markets. This change does not have any effect on the geographical segments.

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 EU- IFRS, the structure of Santander's operating business areas has been segmented into two levels:

First (or geographic) level. The activity of Santander's operating units is segmented by geographical areas. This coincides with Santander'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 and corporate banking 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 Real Estate Operations in Spain.

- United Kingdom. This includes retail and corporate banking 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 specialized units of Santander Private Banking, as an independent and globally managed unit.

- United States. This includes the holding entity (SHUSA), Santander Bank, National Association, Banco Santander Puerto Rico, Santander Consumer USA Inc., Banco Santander International (BSI), Santander Investment Securities Inc. and the Santander branch in New York.

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

- Retail Banking. This area covers all customer banking businesses (except those of Corporate Banking, managed through the Global Customer Relationship Model). Also included in this business area are the results of the hedging positions taken in each country within the scope of the relevant ALCO portfolio.

- Santander Global Corporate 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.

- Real Estate Operations in Spain. This business 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, Santander continues to maintain a separate Corporate Center area. This area incorporates the centralized activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, as well as management of liquidity and of stockholders' equity through issuances. As the Group's holding entity, the Corporate Center 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 and Santander Global Corporate Banking. During 2015, there were four main units within this area: Spain, Portugal, Poland and Santander Consumer Finance. Additionally, this area includes the Real Estate Operations in Spain unit.

Continental Europe is the largest business area of Grupo Santander by assets. At the end of 2015, it accounted for 38% of total managed customer funds, 36% of total loans to customers and 28% of profit attributed to the Group's total operating areas.

The area had 5,548 branches and 58,049 employees (direct and assigned) of which 3,196 were temporary employees, at the end of 2015.

The eurozone growth as a whole accelerated, but varied from country to country. Spain was one of the countries that expanded the most. Inflation was around 0% in the zone, resulting in the European Central Bank continuing its expansive monetary policy: interest rates at historic lows and quantitative easing.

In 2015, this segment obtained profit attributable to the Group of €2,218 million, an increase of €571 million or 35% as compared to 2014, mainly due to improved interest income/(charges) (which increased by €489 million) and to the decrease of €892 million in impairment losses on financial assets. Return on equity ("**ROE**") stood at 7.1%.

Spain

Grupo Santander has a solid retail presence in Spain (3,467 branches) which is reinforced with global businesses in key products and segments (corporate banking, private banking, asset management, insurance and cards). The Group had a total of 24,216 employees (direct and assigned), all of which were hired on a full time basis.

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 specialized customer attention model. The Group took advantage of the integration to optimize segmentation and specialization of branches, with a particular emphasis on private banking, select and company banking, and increasing coverage in specialized portfolios to almost 100%.

In 2015 Spain's economy grew by around 3.2% with a well-diversified base that made it possible to bring the unemployment rate down to around 21% by the end of the year. In addition, progress was made in correcting the imbalance in the public accounts while at the same time maintaining the foreign trade surplus. Energy prices kept inflation rates negative for a large part of the year, although the underlying rate remained positive.

Against this background, activity in Spain is well placed to accelerate its growth and build long-term relationships with its customers, in addition to boosting its business with SMEs and businesses, and maintaining its lead in big companies.

In 2015, profit attributable to the Group in Spain was €977 million, a €150 million or 18% increase as compared to 2014, while the ROE was 8.1%.

Total income decreased by €556 million or 8% in 2015 in an environment of interest rates at historic lows and strong competition in loans (interest income/(charges) fell 5% compared to 2014) and a regulatory environment that hits net fees and commissions income (-6% compared to 2014). Gains/losses on financial assets and liabilities decreased by €250 million or 24% due to lower results in financial activity. While Other operating income/(expenses) decreased by €53 million mainly due to the charges to the Deposit Guarantee Fund and Resolution fund.

There was a €63 million or 2% reduction in operating expenses as a result of the synergies achieved through the optimization plans introduced. Loan losses provisions were €754 million or 43% lower than 2014 with the continuing process of normalization in a more favorable economic cycle.

In 2015, Spain's loans and advances to custuoers decreased by 1%, customer deposits decreased by 2% and other customer funds under management increased by 4%.

The non-performing loans ("**NPL**") ratio was 6.53%, an 86 basis point decrease as compared to 2014. The coverage ratio increased from 45% in 2014 to 48% in 2015.

Portugal

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

On 21 December 2015, the Bank of Portugal selected Santander Totta to acquire most of the assets and liabilities of Banco Internacional do Funchal (Banif) for €150 million. This transaction evidences the commitment to the economic development of Portugal, and as a result of this transaction, Santander became the second private bank in the country with a market share in loans and deposits of over 14%.

At the end of 2015, the Group's presence in Portugal had 752 branches and 6,568 employees (direct and assigned), of which 62 employees were temporary.

The Portuguese economy continued its recovery in 2015. The growth of GDP accelerated to a rate of 1.5% compared with 0.9% in 2014. The recovery benefited from the ECB's expansive monetary policy and the positive effect it had on spreads and the euro exchange rate. The country's economic fundamentals

continued to improve, the rate of unemployment fell for the last three years and the current account balance remained positive.

In 2015, the Group's strategy was very focused on managing interest rates for loans and deposits, gaining market share through increased ownership in companies, controlling non-performing loans and improved efficiency.

In 2015, profit attributable to the Group was €300 million, a €116 million or 63% increase from 2014. There was a growth of €60 million or 6% in total income, with increase of €9 million in interest income/(charges) due to the improvement in the cost of funding, and in Gains/losses on financial assets and liabilities with an increase of €77 million mainly due to sales of government debt securities.

Operating expenses fell €3 million or 1% due to the optimization of the commercial network in line with the business environment.

Loan losses provisions were down by €52 million or 42% due to the decrease in net additions to delinquent balances.

In 2015, loans and advances to customers and customer deposits increased by 22% and 21% respectively, due to the acquisition of Banif. Excluding Banif, lending's declining trend slowed in 2015 (-1% compared to -5% in 2014) and growth in loans to companies rose (+5%) compared to a fall in the market. Funds increased 5%, under the strategy of boosting demand deposits (+37%) and mutual funds (+18%), while time deposits fell 7%. The result was a further improvement in the cost of deposits.

The Group's operations in Portugal in 2015 ended with an NPL ratio of 7.46%, as compared to 8.89% at the end of 2014. The coverage ratio stood at 99% compared to 52% in December 2014. The ROE stood at 12.4% for the year ended 31 December 2015.

Poland

As of the end of 2015, the Group's operations in Poland consisted of 723 branches and 11,474 employees (direct and assigned), of which 1,269 employees were temporary.

Operations in Poland grew strongly in 2015 (3.6%) with inflation (-1%) well below the target of 2.5% set by the National Bank of Poland, which lowered the reference rates to 1.5% in March 2015. The positive results in Poland was aided by significant improvement in the labor market, with steady creation of jobs and a substantial fall in unemployment to the lowest rate since 2008.

In 2015, profit attributable to the Group was €300 million, €55 million or 15% lower than in 2014. Total income decreased by €99 million or 7% for the following reasons: (i) interest income/ (charges) decreased by €52 million impacted by the fall in interest rates which particularly affected the consumer finance rates due to the ceiling set by the Lombard rate, (ii) fees and commissions decreased by €13 million due to increased regulation mainly affecting the card business and (iii) other operating income/(expenses) decreased by €80 billion due to the one-time charge to the Deposit Guarantee Fund as a result of the failure of SK Wołomin Bank.

Furthermore, operating expenses increased by €9 million or 2% as compared to 2014 while Loan losses provisions were down by €18 million or 10% despite the increase in lending.

Loans and advances to customers and customer deposits increased by 12% and 7% respectively as compared to 2014, however the other customer funds under management decrease 9% compared with 2014. The NPL ratio decreased 112 basis points to 6.30% and the coverage ratio increased 4 percentage points to 64%. The ROE stood at 12.5%.

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 main European markets where business is conducted grew at between 1.7% and 3.5% in 2015.

In 2015 management's focuses were on: (i) the integration of the GE Nordics businesses, (ii) the implementation of the agreements with PSA, and (iii) promoting new lending and cross-selling tailored to the situation in each market, supported by brand agreements.

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 2015, this unit had 588 branches and 14,533 employees (direct and assigned), of which 1,189 employees were temporary.

The Santander Consumer Finance units in continental Europe operated in an environment of incipient recovery of both consumer spending and vehicle registrations (+9% year on year in the countries in which they operate). In 2015, SCF continued to gain market share, supported by a business model that has been strengthened during the crisis thanks to a high level of geographical diversification with critical mass in key projects, high levels of efficiency, and a shared risk control and recovery system that makes it possible to maintain a high level of credit quality. Minority shareholding interests increased by €99 million as a result of the the PSA agreements.

In 2015, this unit generated €938 million in profit attributable to the Santander, a €143 million or 18% increase compared with 2014. This growth benefited from the impact of the previously mentioned agreements, with Total income growing faster than operating expenses and Impairment losses on financial assets. Total income rose €742 million or 23% (interest income/charges increased €728 million or 31%), while operating expenses grew €306 million or 21%. Loan losses provisions declined €7 million or 1%, due to improved credit quality.

Loans and advances to customers increased by 22% and customer deposits increased by 6%. The NPL ratio decreased 140 basis points to 3.42%, while the coverage increased to 109% from 100% in 2014. The ROE stood at 12.0%.

Real Estate Operations in Spain

The segment, which has a specialized management model, combines (i) the run-off real estate activity in Spain, which includes loans to customers mainly for real estate promotion, where Santander's strategy focuses on a significant reduction of the Group's exposure; (ii) quality real estate operating assets (mainly from the Group's old real estate fund, Santander Banif Inmobiliario); (iii) Santander's subsidiary Metrovacesa; and (iv) certain other assets such as the Group's stake in Spanish Bank Restructuring Asset Management Company, or Sareb. As of the end of 2014, the stake in Metrovacesa was consolidated by global integration.

The Group's strategy in recent years has been directed at reducing these assets, mainly loans and foreclosed assets. Net loans totaled €2,794 million, which was 33% less than in 2014 and accounted for 0.4% of the Group's loans and less than 2% of those of Santander Spain.

In 2015, this segment had €420 million of losses attributable to Santander, a €232 million decrease in losses as compared to 2014, mainly due to the lower need for write-downs.

United Kingdom

As of 31 December 2015, the United Kingdom accounted for 31% of the total managed customer funds of the Group's operating areas. Furthermore, it accounted for 36% of total loans to customers and 24% of profit attributed to Santander's total operating areas.

At the end of 2015, the Group had 858 branches and a total of 25,866 employees (direct and assigned), of which 661 employees were temporary, in the United Kingdom.

The UK economy continued to grow at 2.2%, registering another year of steady growth. The main driver was domestic demand (particularly private consumption, robust labor market, improved consumer confidence and favorable financial conditions) and a recovery in investment. The unemployment rate fell

in the year to 5.2%, in part due to a large increase in self-employment. This pushed the number of people in employment to a record high. Inflation was around 0%, mainly due to lower oil and commodity prices and the consolidation of sterling's appreciation registered since mid-2013. Based on this, the Bank of England kept interest rates unchanged in 2015.

There have been significant changes recently, in terms of regulation, tax and public policy as well as a significant advance in the use of technology in banking, especially mobile. Additionally the impact of the new entrants and existing competitors who have renewed focus on the UK market opportunities. The strategic direction has been fine-tuned, to align with the economic, regulatory and market environment changes. Based on the new scenario the Group has focused on retaining customer loyalty, on increasing the flows in retail and corporate segments and ongoing investment in business growth and in digital channels.

In 2015, Santander UK contributed €1,971 million of profit attributable to Santander, a €415 million or 27% (14% in local currency) increase from 2014. The main developments were: (i) a €708 million or 17% (5% in local currency) increase in interest income/(charges) mainly due to higher volumes, (ii) a €302 million or 10% (4% in local currency) increase in operating expenses due to investment in business growth, higher regulatory costs and the continued enhancements to the Group's digital channels and (iii) a €225 million or 68% (71% local currency) decrease in impairment losses on financial assets with improved credit quality across the loan portfolios, conservative loan-to-value criteria, and supported by a favorable economic environment.

As of 31 December 2015, loans and advances to customers increased by 13% (6% excluding the exchange rate impact), and customer deposits increased 15% (8% excluding the exchange rate impact). Other customer funds under management were flat as compared to 2014. The NPL ratio decreased 27 basis points to 1.52% and the coverage ratio decreased to 38% from 42% in 2014. The ROE was 11.5%

Latin America

As of 31 December 2015, Santander has 5,841 branches and 89,819 employees (direct and assigned) in Latin America, of which 1,794 were temporary employees. As of 31 December 2015, Latin America accounted for 22% of the total managed customer funds, 17% of total loans to customers and 40% of profit attributed to the Group's total operating areas.

In a complex international environment, the Latin American economy was affected in 2015 by various external factors such as the outlook for US interest rate rises, the price of commodities and the slowing of the Chinese economy.

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

	Percentage held at 31 December 2015		Percentage held at 31 December 2015
Banco Santander (Brasil), S.A.	89.25	Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Chile	67.12	Banco Santander Perú, S.A.	100.00
Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	75.07	Banco Santander Río, S.A. (Argentina)	99.30
Banco Santander de Negocios Colombia S.A.	99.99		

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 Groups 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 the Santander's franchise. Santander has the region's largest international franchise.

In Latin America the regional GDP shrank 0.4% in 2015 after growth amounting to 1.2% in 2014, in a complex international environment faced with the prospect of a rise in interest rates in the United States,

the downturn of international trade and the lower growth in China. There was very different performance country by country, with some in recession and others showing a gradual recovery. There was a slight upturn in inflation, mainly as a result of the effects of the depreciation of the Latin American currencies.

The Group continued to focus as a priority on strengthening customer relations by improving their experience and increasing their satisfaction. For this purpose, 2015 saw the launch in the principal geographical areas of the "1|2|3 *World*" range of products that are designed to attract and engage private individual customers, and the Advance program, the aim of which is to strengthen the Bank's positioning in business customers.

Profit attributable to the Group from Latin America in 2015 was €3,193 million, a €291 million or 10% increased as compared to 2014 (excluding the exchange rate impact of 17%). Total income increased €198 million or 1% (excluding the exchange rate impact of 10%) driven by the growth of volumes and transactionality, which impacted both the interest income and the fees and commissions. Operating expenses increased €56 million or 1%, however excluding the exchange rate impact they grew 10% as a result of salary increase agreements in an environment of high inflation in countries such as Brazil, Argentina and Uruguay, dollar-indexed costs, and investments to develop the commercial and digital networks. The growth was moderate as compared to inflation rates. The change in lending mix towards products with a lower risk premium continued in 2015 and Impairment losses decreased 1% as compared to 2014.

As of 31 December 2015, loans and advances to customers decreased by 5% (excluding the exchange rate impact which increased 14%). Customer deposits decreased 7% as compared to 2014, although once the impact of the exchange rate is factored in, such deposits actually increased by 12%. The NPL ratio stood at 4.96% and the coverage ratio at 79% at 31 December 2015.

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

Brazil. Santander Brazil is the country's third largest private sector bank by assets and the largest foreign bank in the country. The institution operates in the main regions, with 3,443 branches and points of banking attention, 49,520 employees (direct and assigned), all of which were hired on a full time basis.

During the first quarter of 2015 Santander Brazil entered into an agreement to acquire 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.

Brazil went into recession in 2015, with contraction of consumer spending and private investment and rising unemployment. There was an upturn in inflation to over 10%. The central bank reinforced its commitment to control inflation by raising the Selic rate 250 basis points in the year, taking it to 14.25%.

In 2015, the Bank made progress in its process of transformation to simplify, modernize and improve the experience of customers, while agreements were also reached in order to increase the more transactional portion of the Bank's income.

Profit attributable to the Group from Brazil in 2015 was €1,631 million, a €194 million or 13% (33% excluding the exchange rate impact) increase as compared to 2014. Total income fell €739 million or 6% compared with 2014 (excluding the exchange rate impact increased 10%), mainly due to interest income/(charge).

Operating expenses decreased €491 million or 10% (excluding the exchange rate impact increased 5%). Excluding the inflation and exchange rate impact and on a like-for-like basis, they fell 6%, reflecting the efforts made in previous years to improve efficiency and productivity.

Loan losses provisions declined by €385 million or 10%, however excluding the exchange rate impact they raised by 5%.

During 2015, total loans and advances to customers decreased by 19%, in local currency increased 8%, mainly due to the forex impact on dollar portfolios and the entry of Bonsucesso. Customer deposits decrease 17% as compared to 2014, excluding the exchange rate impact increased 11%. The NPL ratio was 5.98% as of 31 December 2015 compared with 5.05% at 31 December 2014. The coverage ratio stood at 84% at 31 December 2015. The ROE stood at 13.6%.

Mexico. Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, is one of the leading financial services companies in Mexico. Santander is the third largest banking group in Mexico by business volume. As of 31 December 2015, it had 1,377 branches throughout the country, 17,847 employees (direct and assigned), of which 1,634 were temporary.

The Mexican economy showed signs of improvement in the second half of the year driven by the recovery of both domestic demand and exports. Although the inflation rate remained low, the central bank decided to raise the official interest rate in response to the increase by the Federal Reserve, in order to prevent possible outbreaks of volatility given the country's strong commercial and financial connection with the United States.

The year ended 2015 saw the completion of the branch expansion plan, following the opening of 200 branch offices in the last three years. The increase in installed capacity was accompanied by improvements in customer segmentation and sales platforms.

Profit attributable to the Group from its operations in Mexico in 2015 was €629 million, a €22 million or 4% (3% excluding the exchange rate impact) increase as compared to 2014. The growth of €298 million or 10% in total income, was mainly driven by an increase of €313 million in interest income/(charge) due to the higher loans volume.

Operating expenses increased €87 million or 7%, due to the greater installed capacity and new commercial projects to increase attraction and penetration in the customer base.

Loan losses provisions increased by €120 million or 16% due to greater lending volume.

As of 13 December 2015, loans and advances to customers increased by 17% (23% excluding the exchange rate impact), and customer deposits decreased 1% (5% increase excluding the exchange rate impact). Other customer funds under management were flat as compared to 2014.

As of 31 December 2015, the NPL ratio decreased 46 basis points to 3.38% while the coverage ratio was 91%. The ROE was 12.9%.

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 2015, Banco Santander Chile had 472 branches and 12,454 employees (direct and assigned), all of which were hired on a full time basis.

The Chilean economy recovered in 2015 as a result of the expansion of investment and private consumer spending, which led the central bank to begin to normalize its monetary policy by raising the official interest rate 50 basis points to 3.50%.

In 2015 more branches and exclusive select spaces for high-income customers were opened, as well as the new model of branch offices in the traditional network. The Group continued to pursue its strategy of increasing long-term profitability in a climate of smaller margins and greater regulation.

Profit attributable to Santander from Chile in 2015 was €455 million, a €43 million or 9% (13% excluding the exchange rate impact) decrease as compared to 2014, mainly due to lower inflation-indexed UF, some regulatory impact, higher technology costs and higher tax pressure.

In 2015, customer loans increased 6% (11% in local currency) and customer deposits increase 4% (9% in local currency) as compared to 2014. Other customer funds under management increased 2% as compared to 2014.

As of 31 December 31 2015, the NPL ratio decreased 35 basis points to 5.62% while the coverage ratio was 54% and the ROE 15.32%.

Argentina. Santander Río is the country's leading private sector bank in terms of assets, loans and customer funds. As of 31 December 2015, the Group had 436 branches and 7,952 employees in Argentina.

Argentina ended the year with an economy that was still weak and inflation that was among the highest in the region. In mid-December the new government announced the liberalization of capital movements and the exchange rate of the Argentine peso began to float freely.

The Group's strategy in 2015 focused on increasing its penetration through its branch office expansion plan, the transformation towards a digital bank with the focus on efficiency and customer experience, and the engagement of the customer segments of high-income private individuals and SMEs.

Profit attributable to the Group was €378 million, a 29% (22% in local currency) increase compared with 2014. The commercial strategy helped to push up total income by 34%, mainly due to the increase of interest income/ (charge) by 35% and fees and commissions by 46%. Operating expenses rose 51% (43% in local currency) because of the opening of new branches, the transformation and technology projects and the review of the salary increase agreement. Loan loss provisions increased 22% (16% in local currency), below the growth in lending.

During the year, lending and customer deposits increased 10% and 15%, respectively. Nevertheless, in local currency lending rose 52%, focused on lending to SMEs and companies and deposits increased 58%. Mutual funds grew 26% during 2015 (73% in local currency).

By year end of 2015, the ROE was 30.6%, while the NPL ratio decreased 46 basis points to 1.15% and the coverage ratio was 194%.

Uruguay. The Group maintained its leadership in Uruguay. The Group is the largest private sector bank in the country. Overall, the Group had 111 branches and 1,808 employees.

Inflation was 9.4%, well above the central bank's target of (+3% to 7%). The key rate remained high in order to converge toward this goal. The Uruguayan peso depreciated 20% against the dollar and 10% against the euro.

The Group continued to be the country's leading private sector bank, focusing on growing in retail banking and improving efficiency and the quality of service.

Profit attributable to Santander from Uruguay in 2015 was €70 million, a €20 million or 41% (38% in local currency) increase as compared to 2014. Lending increased by 8%, with particular growth in individual customers and SMEs, and deposits rose by 19%, in each case compared with 2014.

Peru. As of 31 December 2015, Banco Santander Perú, S.A. had 1 branch and 156 employees. The unit's activity is focused on companies and on the Group's global customers. An 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 specialized business model, focused on service and with products that enable customers to acquire any brand of new car from any dealer in Peru.

Profit attributable to the Group from Peru reached €32 million, a €10 million or 46% increase compared with 2014.

Colombia. Banco Santander de Negocios Colombia S.A. began operating in January 2014. The entity 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 €1 million loss attributable to the Group.

United States

As of the end of 2015, the Group had 783 branches and a total of 18,123 employees (direct and assigned), none of whom are temporary.

The US economy grew at a modest but stable pace (2.5%). Thanks to an improving economy, the unemployment rate fell on a sustained basis to 5% at the end of the year, a level regarded as full employment. Inflation, however, remained low (1.3%) and at some distance from the Federal Reserve's target (set in terms of the underlying deflator of private consumption), which is 2%. In this context, the Fed raised its interest rates at the end of the year, accompanied by a message indicating the interest rate profile outlook would be moderate.

The U.S. segment includes the holding entity (SHUSA), Santander Bank, National Association, Banco Santander Puerto Rico, Santander Consumer USA Inc., Banco Santander International (BSI), Santander Investment Securities Inc. and the Santander branch in New York.

Santander US continues to focus on several strategic priorities directed at enhancing its position and diversification, including the implementation of a multi-year project to comply with regulatory requirements globally, the improvement of the governance structure, the setting up of local managerial team with wide experience in the management of large financial companies, the improvement of profitability at Santander Bank, National Association, and the optimization of the vehicle finance business at Santander Consumer USA ("**SCUSA**").

The U.S. segment accounted for 9% of the total managed customer funds, 11% of total loans to customers and 8% of profit attributed to the Parent bank's total operating areas.

Profit attributable to Santander decreased €184 million or €352 without exchange rates. Despite the increase in total income of €1,821 million or 30% (9% in local currency), Profit attributable to the Parent was lower due to higher operating expenses by €786 million or 35% (13% excluding the exchange rate impact) and higher impairment losses of €858 million or 38% (16% in local currency) relating to greater lending in Santander Consumer USA, and income taxes.

For 2015, ROE was 6.0% and the NPL ratio was 2.13%. The coverage ratio stood at 225% at year end.

Second or business level:

Retail Banking

Retail Banking's profit attributable to Santander in 2015 increased 14% (10% excluding the exchange rate impact), to €6,854 million. This evolution was spurred by the good performance of total income which grew 7% (+6% excluding the exchange rate impact). Operating expenses were 7% higher (+1% excluding perimeter and in real terms) and loan loss provisions were 5% lower.

In 2015, Retail Banking generated 88% of the operating areas' total income and 85% of profit attributable to the Group. This segment had 183,182 employees as of 31 December 2015.

In 2015 Santander continued to make progress with its program for transforming commercial banking focusing on the following:

- In order to gain greater knowledge of customers, progress is being made in improving the analytical capabilities. A new commercial front has been developed for the branch offices in order to improve commercial productivity and customer satisfaction.

- In order to increase customer engagement and long-term relations, progress was made in 2015 in the launching and consolidation of differential value offerings. These included most notably (i) the "1|2|3 *World*" strategy (with the launch of proposals in other geographical regions such as Portugal, Spain and certain Latin America countries, after the success in the United Kingdom), (ii) comprehensive offers launched in Chile with proposals which reward transactionality and increase customer benefits, (iii) the expansion of the Select value offering for high-income customers which is now available throughout the geographical regions, and (iv) the roll-out of the program for SMEs that combines a very attractive financial offering with non-financial solutions and that is now available in eight countries.

- The Bank made further progress with the development of its distribution models focused on digital channels, resulting in substantial improvements to the different channels, most notably with new apps, developments and functionalities for mobile phones in the various geographical areas and the new model of branch office in Spain and Brazil, which offers simpler procedures, more intuitive technology and differentiated areas within the branch.

- The Bank supports the internationalization of its business customers by harnessing the synergies and international capabilities of the Group, thereby ensuring consistent and uniform customer relations throughout all the local units and enabling Santander's customers to connect with each other and capture international trade flows with the Santander Trade Portal and the Santander Trade Club.

Santander Global Corporate Banking

This area covers the Group's corporate banking, treasury and investment banking activities throughout the world.

Global Corporate Banking generated 12% of total income and 20% of the profit attributable to the Group in 2015. This segment had 8,037 employees at 31 December 2015.

Profit attributable to the Group in 2015 was €1,626 million, an increase of €1 million as compared to 2014. This performance was impacted by an increase in interest income/(charges) (€349 million or 14%) offset by an increase in operating expenses (€218 million or 12%) and in impairment losses (€130 million or 22%).

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

Real Estate Operations in Spain

See above under "*First level (or geographic) — Continental Europe — Real Estate Operations in Spain*."

Corporate Center

Loss attributable to Santander increased by €943 million as the increase in Interest income / (charges) and the decrease in Provisions (net) was compensated by the decrease in gains from centralized management of risks and to a greater extent the drop in Gains/(losses) on other assets (net), as compared to 2014. As of 2015 this area had 2,006 employees.

The Corporate Center is responsible for, on the one hand, a series of centralized 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.

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

- Interest rate risk is actively managed by taking market positions to soften the impact of interest rate changes on net interest income, and is done via bonds and derivatives of high credit quality and liquidity and low consumption of capital.

- The objective of structural liquidity management is to finance the Group's recurring activity in optimum conditions of maturity and cost, maintaining an appropriate profile (in volumes and maturities) by diversifying the funding sources.

- Management of the exposure to exchange rate movements is also carried out on a centralized basis. This management (which is dynamic) is conducted through exchange-rate derivatives, seeking to optimize at all times the financial cost of hedging.

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

The Group's policy seeks to mitigate the impact, which, in situations of high volatility in the markets, sudden changes in interest rates would have on these exposures of a permanent nature. At the end 2015,

The Group had €20,349 million hedged relating to our investments in Brazil, the U.K., Mexico, Chile, the U.S., Poland and Norway and the instruments used were spot and foreign exchange forwards.

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 centralized basis in order to limit their volatility in euros.

Meanwhile, and separately from the financial management described here, the Corporate Center 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 the Corporate Center.

Marketing of products and services

Policies

The Group controls and oversees the marketing risk of products and services, promotes transparency and a Simple, Personal and Fair approach to customers in order to protect their rights and ensure that policies and procedures consider the consumer perspective based on two corporate frameworks which establish the basic principles and performance standards in this field.

Governance and organization

Corporate commercialisation framework: uniform system for the marketing of products and services, with the aim of minimising exposure to risks and possible claims arising from such fields in all phases (validation, pre-sales, sales, post-sales following).

Complaint management framework: uniform system for the systematised management of registration, control, management and analysis of the cause of complaints by different categories, thus allowing for identifying reasons for customer dissatisfaction, offering appropriate solutions in each case and improving, as necessary, the processes giving rise to them.

Complaint management framework: uniform system for the systematised management of registration, control, management and analysis of the cause of complaints by different categories, thus allowing for identifying reasons for customer dissatisfaction, offering appropriate solutions in each case and improving, as necessary, the processes giving rise to them.

The products and services commercialisation committee is the collegiate body of governance for the validation of products and services. The initial proposal and authorisation of new products and services is the responsibility of units, while such proposals and their alignment with corporate policies must be subject to corporate validation. Its objectives and functions are based on the minimisation of inappropriate commercialisation of products and services to customers, taking into account consumer protection. Its functions are performed at both corporate and local level.

The committee assesses the appropriateness of adjusting products and services to the framework where they are going to be marketed, paying special attention to ensuring:

- that the stipulations set out in the corporate commercialisation frameworks and policies, and in general, the internal or external laws (for example, not granting loans for investment products, limiting the bank's roles as underlying in commercialised structures, etc.) are fulfilled.

- that the target audience is clearly established, in accordance with its features and needs, clearly stating which customers it is not considered suitable for (e.g. aspects such as the customer's commercial segment, customer's age, geographical jurisdiction, etc.).

- that the criteria and controls are in place to assess how suitable the products are for the customer are defined at the time of the sale. This will include, depending on the type of product

and the commercial treatment applied in each case, an assessment of the customer's financial capacity to meet the payments associated with the product/service, the appropriateness of the customer's knowledge and previous investment experience, and the adequate diversification of his investment portfolio, as the case may be.

- that the mnecessary documentation (advertising, commercial, precontractual, contractual and post-contractual) for each product/ service, customer and commercialisation type be determined, and in each case, that the information be conveyed to customers clearly and transparently. This information can refer to: (i) explaining how the product or service works, presenting, in an objective and transparent way, the information on the product/ service's characteristics, terms and conditions, costs, risks and the calculation methodology, and not giving rise to unreasonable expectations or causing the customer to choose an inappropriate product/service; (ii) frequency with which and content of the post-contractual information sent to customers, including details of the effective costs incurred and information on the product's profitability and assessment, as the case may be.

- that training/certification plans, and checks on such plans, are in place to ensure that sales employees in the different channels have the required training and have sufficient information about the characteristics of the product/service, in order to be able to sell it appropriately. The products and services commercialisation committee met 13 times in 2015 and analysed.

The corporate monitoring committee is the Group's collegiate governance body in monitoring of products and services, and for the assessment of customer claims in all Group units. Approved products and services are monitored locally through local monitoring committees or similar bodies, and their conclusions are reported directly to the corporate monitoring committee. The monitoring committee held 34 meetings in 2015 at which incidents were resolved and information was analysed on the monitoring of products and services of the Group's units.

Conduct in securities markets

Policy

This is set by the code of conduct in the securities markets (CCSM), supplemented by the Code of Conduct for Analysis Activity, and other implementing rules, contains Group policies in this field and defines, inter alia, the following responsibilities for regulatory compliance:

- register and control sensitive information known and generated by the Group;

- maintain the lists of securities affected and related personnel, and watch the transactions conducted with these securities;

- monitor transactions with restricted securities according to the type of activity, portfolios or collectives to whom the restriction is applicable;

- receive and deal with communications and requests to carry out own account trading;

- control own account trading of the relevant personnel and manage possible non-compliance of CCSM;

- identify, register and resolve conflicts of interest and situations that could give rise to them;

- analyse activities suspicious of constituting market abuse and, where appropriate, report them to the supervisory authorities; and

- resolve doubts on the CCSM.

At present, some 13,000 people are considered relevant persons under the CCSM in the Group.

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.

A key element in this system is the whistle blowing channel. There are five main whistle blowing channels in the Group, which registered some 400 communications in 2015.

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, 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 Supervision, Regulation and Compliance Committee is informed of the main issues at each of its meetings.

In 2015, the Bank disclosed 98 material facts, which are available on the Group's website and that of the National Securities Market Commission ("**CNMV**").

Organisational Structure

Banco Santander, S.A. is the parent company of the Group which was comprised at 31 December 2015 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 15 directors.

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

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

Board of directors	**Executive committee**	**Audit committee**	**Appointment committee**	**Remuneration committee**	**Risk supervision, regulation and compliance committee**	**International committee**	**Inovation and technology committee**	**Executive**	**Non-executive**	**Date of first appointment**	**Date of re-election**
Executive Chairman Ms. Ana Botín-Sanz de Sautuola y O'Shea	C					C	C			04.02.1989	10.06.1991 09.05.1994 12.05.1997 06.03.1999 04.03.2000 21.06.2003 17.06.2006 17.06.2011 28.03.2014
Chief executive officer Mr. José Antonio Álvarez Álvarez										25.11.2014	-
Vice-chairman Mr. Bruce Carnegie-Brown			C	C	C				I	25.11.2014	-

Vice-chairman Mr. Rodrigo Echenique Gordillo	■					■	■	■		07.10.1988	30.06.1989 08.06.1992 08.05.1995 23.06.1998 06.03.1999 04.03.2000 21.06.2003 17.06.2006 17.06.2011 28.03.2014
Vice-chairman Mr. Matías Rodríguez Inciarte	■						■	■		07.10.1988	30.06.1989 08.06.1992 08.05.1995 23.06.1998 06.03.1999 04.03.2000 21.06.2003 18.06.2005 19.06.2009 30.03.2012 27.03.2015
Vice-chairman Mr. Guillermo de la Dehesa Romero	■		■	■	■	■	■		**E**	24.06.2002	18.06.2005 19.06.2009 22.03.2013 27.03.2015
Members:											
Mr. Ignacio Benjumea Cabeza de Vaca	■		■	■	■	■	■		**E**	30.06.2015	-
Mr. Javier Botín-Sanz de Sautuola y O´Shea[2]									**P**	25.07.2004	18.06.2005 11.06.2010 22.03.2013
Ms. Sol Daurella Comadrán			■	■					**I**	25.11.2014	-
Mr. Carlos Fernández González		■	■		■				**I**	25.11.2014	27.03.2015
Ms. Esther Giménez-Salinas i Colomer						■	■		**I**	30.03.2012	28.03.2014
Mr. Ángel Jado Becerro de Bengoa		■	■	■	■				**I**	11.06.2010	22.03.2013
Ms. Belén Romana García		■							**I**	22.12.2015	-
Ms. Isabel Tocino Biscarolasaga	■	■		■	■				**I**	26.03.2007	11.06.2010 22.03.2013
Mr. Juan Miguel Villar Mir		**C**			■				**I**	07.05.2013	27.03.2015
General secretary and secretary of the board Mr. Jaime Pérez Renovales[3]	■	■	■	■	■	■	■			01.09.2015	-

C: Chairman of the committee 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:

[2] Non-executive proprietary director who represents, on the board of directors of Banco Santander, S.A., the signatories' shareholdings of the shareholder agreement notified to both the Bank and the CNMV on 16 February 2006

[3] Not director.

Name or corporate name of director	Name of listed company	Position
Ms. Ana Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	Non-executive director
Mr. Rodrigo Echenique Gordillo	Inditex, S.A	Non-executive director
Mr. Matías Rodríguez Inciarte	Financiera Ponferrada, S.A., SICAV	Non-executive director
Mr. Guillermo de la Dehesa Romero	Amadeus IT Holding, S.A.	Non-executive vice chairman
Ms. Isabel Tocino Biscarolasaga	ENCE Energía y Celulosa, S.A.	Non-executive director
	Enagás, S.A.	Non-executive director
	Naturhouse Health, S.A.	Non-executive director
Mr. Juan Miguel Villar Mir	Obrascón Huarte Lain, S.A. (OHL)	Chairman (proprietary)
	Abertis Infraestrucuras, S.A.	Representative of OHL (proprietary vice chairman)
	Inmobiliaria Colonial, S.A.	Representative of Grupo Villar Mir (proprietary vice-chairman)
Ms. Belén Romana García	Aviva plc.	Non-executive director

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

As of 31 December 2015, 0.709% 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 5 of the Consolidated Text of the Spanish Securities Market Act

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 individual annual financial statements.

The consolidated and individual annual financial statements of the Guarantor for the 2015 and 2014 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 individual annual financial statements of the Guarantor for the 2015 and 2014 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 €7,217,246,289.50 divided into 14,434,492,579 shares with a nominal value of €0,50. All shares are of the same class and issue with the same rights attached.

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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	Non-executive director
Mr. Rodrigo Echenique Gordillo	Inditex, S.A	Non-executive director
Mr. Matías Rodríguez Inciarte	Financiera Ponferrada, S.A., SICAV	Non-executive director

Mr. Guillermo de la Dehesa Romero	Amadeus IT Holding, S.A.	Non-executive vice chairman
Ms. Isabel Tocino Biscarolasaga	ENCE Energía y Celulosa, S.A.	Non-executive director
	Enagás, S.A.	Non-executive director
	Naturhouse Health, S.A.	Non-executive director
Mr. Juan Miguel Villar Mir	Obrascón Huarte Lain, S.A. (OHL)	Chairman (proprietary)
	Abertis Infraestrucuras, S.A.	Representative of OHL (proprietary vice chairman)
	Inmobiliaria Colonial, S.A.	Representative of Grupo Villar Mir (proprietary vice-chairman)
Ms. Belén Romana García	Aviva plc.	Non-executive director

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Legal Proceedings

The Group's general policy is to record provisions for tax and legal proceedings in which the Group assesses the chances of loss to be probable and the Group omits to record provisions when the chances of loss are possible or remote. The Group determines amounts to be provided based on its best estimate of the expenditure required to settle the relevant claim based on, among other things, a case-by-case consideration based on the analysis and legal opinion of internal and external counsel or by considering the historical average amount of loss of comparable or similar category of lawsuits.

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 Banco Santander (Brasil) S.A. and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9% to 15% stipulated by Interim Measure 413/2008, ratified by Law 11,727/2008, a provision having been recognized 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 recognized in connection with the amount considered to be a contingent liability.

- Legal actions filed by Banco Santander, S.A. (currently Banco Santander (Brasil) S.A.) and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander, 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 favor of Banco Santander, S.A., but the Brazilian authorities appealed against the judgment at the Federal Supreme Court. On 23 April 2015, the Federal Supreme Court issued a decision granting leave for the extraordinary appeal filed by the Brazilian authorities with regard to the PIS contribution to proceed, and dismissing the extraordinary appeal lodged by the Brazilian Public Prosecutor's Office in relation to the COFINS contribution. The Federal Supreme Court has not yet handed down its decision on the PIS contribution and, with regard to the COFINS contribution, on 28 May 2015, the Federal Supreme Court in plenary session unanimously rejected the extraordinary appeal filed by the Brazilian Public Prosecutor's Office, and the petition for clarification ("embargos de declaraçao") subsequently filed by the Brazilian Public Prosecutor's Office, which on 3 September admitted that no further appeals may be filed. In the case of Banco ABN AMRO Real, S.A. (currently Banco Santander (Brasil) S.A.), in March 2007 the court found in its favor, but the Brazilian authorities appealed against the judgment at the Federal Regional Court, which handed down a decision partly upholding the appeal in September 2009. Banco Santander (Brasil) S.A. filed an appeal at the Federal Supreme Court. Law 12,865/2013 established a program of payments or deferrals of certain tax and social security debts, under which any entities that availed themselves of the program and withdrew the legal actions brought by them were exempted from paying late-payment interest. In November 2013 Banco Santander (Brasil) S.A. partially availed itself of this program but only with respect to the legal actions brought by the former Banco ABN AMRO Real, S.A. in relation to the period from September 2006 to April 2009, and with respect to other minor actions brought by other entities in its Group. However, the legal actions brought by Banco Santander, S.A. and those of Banco ABN AMRO Real, S.A. relating to the periods prior to September 2006, for which a provision for the estimated loss was recognized, still persist.

- Banco Santander (Brasil) S.A. and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (IRPJ and CSLL) on the ground that the relevant requirements under the applicable legislation were not met. No provision was recognized in connection with the amount considered to be a contingent liability.

- Banco Santander (Brasil) S.A. and other Group companies in Brazil are involved in administrative and legal proceedings against several municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services. No provision was recognized in connection with the amount considered to be a contingent liability.

- In addition, Banco Santander (Brasil) S.A. and other Group companies in Brazil are involved in 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 recognized in connection with the amount considered to be a contingent liability.

- In December 2008 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. in relation to income tax (IRPJ and CSLL) for 2002 to 2004. The tax authorities took the view that Banco Santander (Brasil) S.A. did not meet the necessary legal requirements to be able to deduct the goodwill arising on the acquisition of Banespa (currently Banco Santander (Brasil) S.A.). Banco Santander (Brasil) S.A. filed an appeal against the infringement notice at Conselho Administrativo de Recursos Fiscais (the Brazilian Tax Appeal Administrative Council, CARF), which on 21 October 2011 unanimously decided to render the infringement notice null and void. The tax authorities appealed against this decision at a higher administrative level. In June 2010 the Brazilian tax authorities issued infringement notices in relation to this same matter for 2005 to 2007. Banco Santander (Brasil) S.A. filed an appeal against these procedures at CARF, which was partially upheld on 8 October 2013. This decision has been appealed at the higher instance of CARF (Tax Appeal High Chamber). In December 2013 the Brazilian tax authorities issued the infringement notice relating to 2008, the last year for amortization of the goodwill. Banco Santander (Brasil) S.A. appealed against this infringement notice and the court found in its favor. The Brazilian tax authorities appealed against this decision at CARF. 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 and that there are sound defense arguments to appeal against the infringement notices. Accordingly, the risk of incurring a loss is remote. Consequently, no provisions were recognized 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 Mobiliarios Ltda. (DTVM) (currently Produban Serviços de Informática S.A.) and Banco Santander (Brasil), S.A. (currently Banco Santander (Brasil) S.A.) in relation to the Provisional Tax on Financial Movements (CPMF) with respect to certain transactions carried out by DTVM in the management of its customers' funds and for the clearing services provided by Banco Santander (Brasil) S.A. to DTVM in 2000, 2001 and the first two months of 2002. The two entities appealed against the infringement notices at CARF, with DTVM obtaining a favorable decision and Banco Santander (Brasil) S.A. an unfavorable decision. Both decisions were appealed by the losing parties at the High Chamber of CARF, and unfavorable decisions were obtained by Banco Santander (Brasil) S.A. and DTVM on 12 and 19 June 2015, respectively. Both cases were appealed at court in a single proceeding and a provision was recognized for the estimated loss.

- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros, S.A. (Brasil), as the successor by merger to ABN AMRO Brasil dois Participações S.A., in relation to income tax (IRPJ and CSLL) 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 aforementioned entity filed an appeal for reconsideration against this infringement notice. As the former parent of Santander Seguros S.A. (Brasil), Banco Santander (Brasil) S.A. is liable in the event of any adverse outcome of this proceeding. No provision was recognized in connection with this proceeding as it was considered to be a contingent liability.

- In June 2013, the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. as the party liable for tax on the capital gain allegedly obtained in Brazil by 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, Banco Santander (Brasil) S.A. acquired all of the shares of Banco ABN AMRO Real, S.A. and ABN AMRO Brasil Dois Participações, S.A. through the delivery to these entities' shareholders of newly issued shares of Banco Santander (Brasil) S.A., issued in a capital increase carried out for that purpose. The Brazilian tax authorities take the view that in the aforementioned transaction Sterrebeeck B.V. obtained income subject to tax in Brazil consisting of the difference between the issue value of the shares of Banco Santander (Brasil) S.A. that were received and the acquisition cost of the shares delivered in the exchange. In December 2014 the Group 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 defense arguments to appeal against the infringement notice. Accordingly, the risk of incurring a loss is remote. Consequently, the Group has not recognized any provisions in connection with these proceedings because this matter should not affect the consolidated financial statements.

- In November 2014 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. in relation to income tax (IRPJ and CSLL) for 2009 questioning the tax-deductibility of the amortization of the goodwill of Banco ABN AMRO Real S.A. performed prior to the absorption of this bank by Banco Santander (Brasil) S.A., but accepting the amortization performed after the merger. On the advice of its external legal counsel, Banco Santander (Brasil), S.A. lodged an appeal against this decision at the Federal Tax Office and obtained a favorable decision in July 2015, which Santander expects will be appealed at CARF by the Brazilian tax authorities. No provision was recognized in connection with this proceeding as it was considered to be a contingent liability. Banco Santander (Brasil) S.A. has also appealed against infringement notices issued by the tax authorities questioning the tax deductibility of the amortization of the goodwill arising on the acquisition of Banco Comercial e de Investimento Sudameris S.A. No provision was recognized in connection with this matter as it was 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 recognize the aforementioned tax credits as well as the related issuance and financing costs. In addition, if the final outcome of this legal action is favorable 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 and in 2015 the US courts found against two taxpayers in cases with a similar structure. In the case of Santander Holdings USA, Inc., on 13 November 2015, the district judge found for Santander Holdings USA, Inc. in the final decision. On 13 January 2016, the judge ordered the amounts paid over with respect to 2003 to 2005 to be refunded to Santander Holdings USA, Inc. On 11 March 2016, the US government filed its appeal to the decision at the Court of Appeals. The estimated loss relating to this proceeding was provided for.

- Santander UK has proactively engaged with HM Revenue & Customs to resolve a number of outstanding legacy tax matters, all of which relate to periods prior to Santander UK plc's adoption of the Code of Practice on Taxation for Banks. However, litigation proceedings were commenced in relation to a small number of these issues, with respect to which the court of first instance found in favor of HM Revenue & Customs. Santander UK has decided not to appeal these rulings. The provision recognized for the amounts relating to these matters has been used in full.

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

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

- On 1 July 2008, the U.K. Financial Ombudsman Service ("**FOS**") referred concerns regarding the handling of PPI complaints to the U.K. Financial Services Authority ("**FSA**"). On 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 U.K. banking and financial services sector, filed on behalf of certain financial institutions (which did not include Santander UK plc) an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008. The judicial review was heard in the courts in January 2011 and 20April 2011 judgment was handed down by the High Court dismissing the proceeding brought by the BBA.

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

- There was a fall in compensation payments in the first half of 2015 and an increase from the third quarter, in line with industry trends, with compensation remaining stable in the last quarter.

- The FSA consultation papers of November 2015 were taken into account in order to calculate the provision in 2015. As a result of considering the contents of the consultation papers, an additional

provision of GBP 450 million was recognized. This amount is based on a probable scenario of two years in which customers could make their claims and on the anticipated increase in the volume of claims due to the established two-year period.

As of 31 December 2015, the provision recognized in this connection totaled GBP 465 million.

The following table shows information on the total claims received as of 31 December 2015 and the resolution thereof:

(number of claims, in thousands)

	2015	2014	2013
Claims outstanding at the beginning of the period	20	14	31
Claims received [(1)]	251	246	363
Claims rejected as being invalid[(2)]	(195)	(194)	(298)
Resolved claims	(57)	(46)	(82)
Claims outstanding at the end of the period	**19**	**20**	**14**

(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.

The provision recognized at the end of 2015 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 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 recognized 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. This decision also declared that Banco Santander, S.A. had breached its contractual obligations under the framework financial transaction agreement it had entered into with Delforca 2008, S.A.

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 was upheld in full by the Court.

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 a decision handed down on 30 June 2014. A court order dated 25 May 2015 declared the end of the common phase of the insolvency proceeding and the opening of the arrangement phase. Banco Santander, S.A. lodged an appeal against the court's decisions 1) to stay the arbitration proceeding and the effects of the arbitral award, 2) to terminate the arbitration agreement 3) not to recognize the contingent claim, and to declare a breach by Banco Santander, S.A. and 4) not to conclude the proceeding due to the non-existence of insolvency.

On 23 June 2015, Delforca 2008, S.A. submitted an arrangement proposal entailing the payment in full of the ordinary and subordinate claims.

In January, 2016 Delforca 2008, S.A. and Mobiliaria Monesa, S.A. (parent of Delforca 2008, S.A.) filed another ancillary claim requesting the voidness of the enforcement of securities made by the Bank for a total sum of €57 million. This claim has been stayed on preliminary civil ruling grounds, until the abovementioned appeals are handed down.

In addition, in April 2009 Mobilaria 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 Mobilaria 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 upheld 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 recognized any provisions in connection with these proceedings.

Former employees of Banco do Estado de São Paulo S.A., Santander Banespa, Cia. de Arrendamiento Mercantil: a claim was filed in 1998 by the association of retired Banespa employees (AFABESP) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's Bylaws in the event that the entity obtained a profit and that the distribution of this profit were approved by the board of directors. The bonus was not paid in 1994 and 1995 since the bank did not make a profit and partial payments were made from 1996 to 2000, as agreed by the board of directors, and the relevant clause was eliminated in 2001. The Regional Employment Court ordered the bank to pay this half-yearly bonus in September 2005 and the bank filed an appeal against the decision at the High Employment Court ("**TST**") and, subsequently, at the Federal Supreme Court ("**STF**"). The TST confirmed the judgment against the bank, whereas the STF rejected the extraordinary appeal filed by the bank in a decision adopted by only one of the Court members, thereby also upholding the order issued to the bank. This decision was appealed by the bank and the association. Only the appeal lodged by the bank has been given leave to proceed and will be decided upon by the STF in plenary session.

"Planos economicos": Like the rest of the banking system, Santander Brazil has been the subject of claims from customers, mostly depositors, and of class actions brought for a common reason, arising from a series of legislative changes relating to the calculation of inflation ("**planos economicos**"). The claimants considered that their vested rights had been impaired due to the immediate application of these adjustments. In April 2010, the High Court of Justice ("**STJ**") set the limitation period for these class actions at five years, as claimed by the banks, rather than twenty years, as sought by the claimants, which will probably significantly reduce the number of actions brought and the amounts claimed in this connection. As regards the substance of the matter, the decisions issued to date have been adverse for the banks, although two proceedings have been brought at the STJ and the Supreme Federal Court ("**STF**") with which the matter is expected to be definitively settled. In August 2010, STJ handed down a decision finding for the plaintiffs in terms of substance, but excluding one of the "planos" from the claim, thereby reducing the amount thereof, and once again confirming the five-year statute of limitations period. Shortly thereafter, the STF issued an injunctive relief order whereby the proceedings in progress were stayed until this court issues a final decision on the matter.

Proceeding under Criminal Procedure Law (case no. 1043/2009) conducted at Madrid Court of First Instance no. 26, following a claim brought by Banco Occidental de Descuento, Banco Universal, C.A. against the Bank for USD 150 million in principal plus USD 4.7 million in interests, upon alleged termination of an escrow contract.

The court upheld the claim but did not make a specific pronouncement on costs. A judgment handed down by the Madrid Provincial Appellate Court on 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 filed a motion for annulment against the aforementioned judgment which was dismissed in an order dated 2 December 2015. The complainant has stated that it will appeal. The Bank has not recognized 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 19 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 this Information Memorandum, 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 recognized in this connection.

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

At the date of this Information Memorandum, 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 U.K. jurisdiction in the proceedings. MdL, MdP and Carris suspended payment in September 2013 and STCP did the same in December 2013.

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

On 29 November 2013, the companies presented their defense in which they claimed that the swaps were null and void under Portuguese law and, accordingly, that they should be refunded the amounts paid. On 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 case was heard from 12 October to 10 December 2015.

The judgment was handed down on 4 March 2016. The Court decided in favor of Banco Santander Totta on all requests submitted by it and against the transport companies on all requests made by them. It considered all nine swap contracts to be valid and binding. A consequential court order defining the precise terms of the payment of the outstanding amounts and interests will be delivered until 23 March.

Banco Santander Totta, S.A. and its legal advisers consider that this judgment confirmed that the bank acted at all times in accordance with applicable legislation and under the terms of the swaps.

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

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

Santander Consumer Bank AG stopped including these processing fees in agreements from 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.

Provisions of approximately €455 million were recognized in 2014 to cover the estimated cost of the claims. In order to calculate the provision, the claims already received, as well as an estimate of those that could be received in 2015 (the year in which the period for making claims ends as they become statutebarred) were taken into account. The provisions recognized to cover the claims received were used progressively throughout 2014 and 2015.

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 as of each of 31 December 2015, 31 December 2014 and 31 December 2013, it had reliably estimated the obligations associated with each proceeding and had recognized, 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, CHF 500,000;

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

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

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

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

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

Legislation under which the Notes, 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 15 April 2016 (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 update of the Programme and the issuance of Notes pursuant thereto was authorised by resolutions of the sole shareholder of the Issuer passed on 4 April 2016 and of the Board of Directors of the Issuer passed on 4 April 2016, and the giving of the guarantee of the Notes was authorised by a resolution of the Executive Committee of the Guarantor passed on 14 March 2016.

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 Plc 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 Plc. Notes may be listed, traded and/or quoted on any other listing authority, stock exchange and/or quotations system, as the Issuer and the Guarantor may decide. The Issuer and the Guarantor shall be responsible for any fees incurred therewith. The Issuer shall notify the relevant Dealer of any change of listing venue in accordance with the Dealer Agreement. No Notes may be issued on an unlisted basis.

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

Expense of the Admission to Trading

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

Additional Information

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

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

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 15 April 2016 (as amended and restated or supplemented from time to time) between the Issuer, Banco Santander, S.A. (the "**Guarantor**") and Citibank N.A., London Branch as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, in the case of a Global Note denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union. 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 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 15 April 2016, entered into by the Issuer).

13. This Global Note has the benefit of a deed of guarantee issued by the Guarantor on 15 April 2016, 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. The Rate of Interest determined for any Interest Period by reference to LIBOR shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Period for Floating Rates Notes is not negative. Interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days.

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

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

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

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

be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Final Terms.

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

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

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

(e) the Calculation Agent specified in the Final Terms will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date; 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date; 11.00 a.m. (Brussels time) on each EONIA Interest Determination Date; 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); (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) and (D) if the Reference Rate is EONIA, the rate which is determined in accordance with the provisions of paragraph 16(d). 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;

(f) 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;

(g) 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

(h) 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 Citibank N.A., 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 Plc (the "**Irish Stock Exchange Plc**") and to trading on the regulated market of the Irish Stock Exchange Plc (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 Plc (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 Plc (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

CITIBANK N.A., LONDON BRANCH

Signed on behalf of:

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)

SCHEDULE[4]

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

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

[4] 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 REGULATION S 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 15 April 2016 (as amended and restated or supplemented from time to time) between the Issuer, Banco Santander, S.A. (the "**Guarantor**") and Citibank N.A., London Branch as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, if this Note is denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union. 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 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 15 April 2016, copies of which are available for inspection during normal business hours at the office of the Issuing and Paying Agent referred to above.

10. [5][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:

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

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

"**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

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[5] 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.

"**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;

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

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

(b) in the case of a Note which specifies ISDA Determination in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Final Terms.

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

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

As used in this Global Note (unless otherwise specified in the Final Terms) "**EONIA**", for each day in an Interest Period beginning on, and including, the first day of such

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

(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; 11.00 a.m. (Brussels time) on each EONIA 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); (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) and (D) if the Reference Rate is EONIA, the rate which is determined in accordance with the provisions of paragraph 12(d). 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 Citibank N.A., 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 Plc (the "**Irish Stock Exchange Plc**") and to trading on the regulated market of the Irish Stock Exchange Plc (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 Plc (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:

CITIBANK N.A., 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)][6]

By: .....
(Authorised Signatory)

[6]Include 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 15 April 2016 (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 Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

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.][7]
	(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]

[7] 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.][8]
(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:	Citibank N.A., 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.]

[8] 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.

The proposed financial transactions tax ("FTT")

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

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

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

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

Prospective holders of 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 634/2015, of 10 July, promulgating the CIT Regulations; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law 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 2016 will be taxed at the rate of 19% for taxable income up to €6,000, 21% for taxable income between €6,000 and €50,000 and 23% 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 19% 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 2016 tax year to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000 for 2016. Therefore, they should take into account the value of the Notes which they hold as of 31 December in each year, the applicable rates ranging between 0.2% 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 25%, 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 19%, withholding that will be made by the depositary or custodian, if the Notes do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (Dirección General de Tributos) dated 27 July 2004 and require a withholding to be made.

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

Legal entities resident in Spain for tax purposes are not subject to Wealth Tax.

(c) **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for Spanish CIT purposes.

3. **Individuals and Legal Entities with no tax Residency in Spain**

(a) **Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)**

(i) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are the same as those previously set out for Spanish CIT taxpayers.

See "*Taxation in Spain-Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*".

(ii) *With no permanent establishment in Spain*

Both interest payments received periodically and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner detailed under "— Information about the Notes in Connection with Payments" as laid down in section 44 of Royal Decree 1065/2007, as amended. If these information obligations are not complied with in the manner indicated, the Issuer will withhold 19% 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 19%, 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 19%) 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 en .....….a …. de .....…de ….

I declare the above in .... on the.... of .... of ....

(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

1. **General**

Each Dealer has represented, warranted and agreed that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver Notes and it will not directly or indirectly offer, sell, resell, re-offer or deliver Notes or distribute the Information Memorandum, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

2. **United States of America**

The Notes 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 represents and agrees 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 Restated Text of the Spanish Securities Market Law (*Texto Refundido de la Ley del Mercado de Valores*) approved by Legislative Royal Decree 4/2015, of 23 October, 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 (No.s 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 Plc after 15 April 2016. The admission of the Notes to trading on the regulated market of the Irish Stock Exchange Plc 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 Plc will be so admitted to listing and trading upon submission to the Irish Stock Exchange Plc of the relevant Final Terms and any other information required by the Irish Stock Exchange Plc, 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 2015.

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 Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK, 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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