



€15,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME

issued by

BANCO SANTANDER, S.A.

or issued by

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

**and, in the case of Notes issued by Santander Commercial Paper, S.A.
Unipersonal, 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 Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Bank**", the "**Parent**" or, where applicable, the "**Guarantor**") and Santander Commercial Paper, S.A. Unipersonal ("**Santander CP**") guaranteed, in respect of Notes issued by Santander CP, by Banco Santander; 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 2 – 32 of this Information Memorandum).

Potential purchasers should note the statements on pages 131-139 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 Santander CP and Banco Santander relating to the Notes. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information is not received by Santander CP and Banco Santander in a timely manner.

Arranger

Barclays

Dealers

Barclays
Citigroup
Crédit Agricole CIB
Goldman Sachs International
J.P. Morgan
Rabobank
Société Générale

BofA Merrill Lynch
Commerzbank
Credit Suisse
ING
Natwest Markets
Santander Global Corporate Banking
UBS Investment Bank

IMPORTANT NOTICE

This Information Memorandum (together with any supplementary information memorandum and any documents incorporated by reference, the "**Information Memorandum**") contains summary information provided by Santander CP and by Banco Santander in connection with a euro-commercial paper programme (the "**Programme**") under which Santander CP and Banco Santander 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, and in respect of Notes issued by Santander CP, with the benefit of a guarantee by Banco Santander. Under the Programme, Santander CP and Banco Santander 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 Santander CP and Banco Santander has, pursuant to an amended and restated dealer agreement dated 21 April 2017 (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 Europe plc, UK Branch, Commerzbank Aktiengesellschaft, Coöperatieve Rabobank U.A., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., J.P. Morgan Securities plc, Société Générale, The Royal Bank of Scotland plc (trading as Natwest Markets) 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 Santander CP and Banco Santander accepts responsibility for the information contained in this Information Memorandum and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of Santander CP and Banco Santander (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 Santander CP and Banco Santander 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 Santander CP, Banco Santander, 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 Santander CP and Banco Santander or that there has been no change in the business, financial condition or affairs of Santander CP and Banco Santander 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 Santander CP nor Banco Santander has authorised the making or provision of any representation or information regarding Santander CP and Banco Santander and the companies whose accounts are consolidated with those of Banco Santander (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 Santander CP or Banco Santander. Any such representation or information should not be relied upon as having been authorised by the Santander CP, Banco Santander, 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, Santander CP or Banco Santander 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 Santander CP and Banco Santander 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 Santander CP and Banco Santander 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 Santander CP, Banco Santander, 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, Santander CP and Banco Santander as set out under "Subscription and Sale" below.

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II") or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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 Santander CP and Banco Santander 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 Santander CP or Banco Santander 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 Santander CP and Banco Santander 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 Santander CP or Banco Santander 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 Santander CP and Banco Santander 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 21 April 2017 (the "Deed of Guarantee"). Most of these factors are contingencies which may or may not occur and neither Santander CP nor Banco Santander 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 Santander CP and Banco Santander believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of Santander CP and Banco Santander to pay any amounts due on or in connection with any Notes or the Deed of Covenant, or of Banco Santander to pay any amounts due on or in connection with the Deed of Guarantee may occur for other reasons and neither Santander CP nor Banco Santander 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 relate to Santander CP and Banco Santander as members of the Group.

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

The Group's loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom, Latin America and the United States. At 31 December 2016, Continental Europe accounted for 38 per cent. of the Group's total loan portfolio (Spain accounted for 19 per cent. of the Group's total loan portfolio), the United Kingdom (where the loan portfolio consists primarily of residential mortgages) accounted for 32 per cent., Latin America accounted for 19 per cent. (of which Brazil represents 10 per cent. of the Group's total loan portfolio) and the United States accounted for 11 per cent.. Accordingly, the recoverability of these loan portfolios in particular, and the Group's ability to increase the amount of loans outstanding and its 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. In addition, the Group is exposed to sovereign debt in these regions. 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 the Group's loan portfolio and sovereign debt holdings and, as a result, on its financial condition, cash flows and results of operations. See "*Descriptions of Santander CP and Banco Santander –6. Business Overview*".

The Group's revenues are also subject to risk of loss from unfavourable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalisation, international ownership legislation, interest-rate caps and tax policies, some or all of which have occurred in Latin America.

The economies of some of the countries where the Group operates have been affected in the past twelve months by a series of political events, including the UK's vote to leave the EU in June 2016 and the triggering of Article 50(2) of the Treaty on European Union by the UK government on 29 March 2017, which caused significant volatility (for more information, see "*Exposure to UK political developments, including the outcome of the UK referendum on membership of the European Union, could have a material adverse effect on the Group*") and has given rise to increasing anti-EU sentiment and populist movements in other EU Member States. There can be no assurance that the European and global economic environments will not continue to be affected by political developments, including elections in 2017 in key EU Member States.

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 where the Group operates are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. Negative and fluctuating economic conditions, such as slowing or negative growth and a changing

interest rate environment, 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 22 per cent. of the profit attributable to the Bank's total operating areas in 2016 and 10 per cent. of the Group's total loans as of 31 December 2016. 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. 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.

The recent fall and subsequent fluctuation in oil prices may give rise to volatility in the global financial markets and further economic instability in oil-dependent regions, including emerging markets, to which the Group is exposed. In addition, the ability of borrowers in or exposed to the oil sector has been and may be further adversely affected by such price fluctuations.

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

Exposure to UK political developments, including the outcome of the UK referendum on membership of the European Union, could have a material adverse effect on the Group

On 23 June 2016, the UK held a non-binding referendum (the "**UK EU Referendum**") on its membership in the European Union (the "EU"), in which a majority voted for the UK to leave the EU. Immediately following the result, the UK and global stock and foreign exchange markets commenced a period of significant volatility, including a steep devaluation of the pound sterling, in addition to which there is now continuing uncertainty relating to the process, timing and negotiation of the UK's exit from, and future relationship with, the EU.

On 2 October 2016, the UK Prime Minister announced that her government would commence the exit process by the end of March 2017. The UK Supreme Court ruled on 24 January 2017 that commencement of the exit process must be approved by the UK Parliament. On 1 February 2017, the House of Commons voted to give the Prime Minister the power to notify under Article 50(2) of the Treaty on European Union, the UK's intention to withdraw from the EU. This exit process was triggered on 29 March 2017 and now a two-year period of negotiation will begin to determine the new terms of the UK's relationship with the EU, after which period its EU membership will cease. These negotiations are expected to run in parallel to standalone bilateral negotiations with the numerous individual countries and multilateral counterparties with which the UK currently has trading arrangements by virtue of its membership of the EU. The timing of, and process for, such negotiations and the resulting terms of the UK's future economic, trading and legal relationships are uncertain.

While the longer term effects of the UK EU Referendum are difficult to predict, these are likely to include further financial instability and slower economic growth as well as higher unemployment and inflation, in the UK, continental Europe and the global economy, at least in the short to medium term. For instance, the UK could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members and this could affect the attractiveness of the UK as a global investment centre and, as a result, could have a detrimental impact on UK growth. Potential further decreases in interest rates by the Bank of England or sustained low or negative interest rates would put further pressure on the Group's margins and adversely affect its profitability and prospects.

The UK EU Referendum has also given rise to calls for certain regions within the UK to preserve their place in the EU by separating from the UK, as well as the potential for other EU Member States to consider withdrawal. For example, the outcome of the UK EU Referendum was not supported by the majority of voters in Scotland, who voted in favour of remaining in the EU. This has revived the political debate on a second referendum on Scottish independence with aims for a Scottish referendum by Spring 2019. These developments, or the perception that any of them could occur, may have a material adverse effect on economic conditions and the stability of financial

markets, and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets.

Asset valuations, currency exchange rates and credit ratings may be particularly subject to increased market volatility. The major credit rating agencies have downgraded and changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum. In addition, S&P Global Ratings and Moody's Investors Service affirmed the long-term credit ratings and changed the ratings outlooks of the operating companies of most major UK banks because of the medium term impact of political and market uncertainty. For more information, see "*Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and its cost of funds. Any downgrade in the Group's credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of its derivative contracts and adversely affect its interest margins and results of operations*".

In addition, the Group is subject to substantial EU-derived regulation and oversight. There is now significant uncertainty as to the respective legal and regulatory environments in which the Bank's UK subsidiaries will operate when the UK is no longer a member of the EU, causing potentially divergent national laws and regulations across Europe should EU laws be replaced, in whole or in part, by UK laws on the same (or substantially similar) issues. For example, the Bank's UK subsidiaries are in the process of implementing a number of key restructuring and strategic initiatives, such as the ring-fencing of their retail banking activities, all of which will be carried out throughout this period of significant uncertainty. This may impact the prospects for successful execution and impose additional pressure on management. Operationally, the Group's UK subsidiaries and other financial institutions may no longer be able to rely on the European passporting framework for financial services and could be required to apply for authorisation in multiple EU jurisdictions, the costs, timing and viability of which is uncertain. This uncertainty, and any actions taken as a result of this uncertainty, as well as new or amended rules, may have a significant impact on the Group's operations, profitability and business. In addition, the lack of clarity of the impact of the UK EU Referendum on foreign nationals' long term residency permissions in the UK may make it challenging for the Bank's UK subsidiaries to retain and recruit adequate staff, which may adversely impact the Group's business.

The UK political developments described above, along with any further changes in government structure and policies, may lead to further market volatility and changes to the fiscal, monetary and regulatory landscape in which the Group is subject and could have a negative adverse effect on its financing availability and terms and, more generally, on its business, financial condition and results of operation.

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

In the past nine 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 Group's industry. Compliance with such regulation will continue to increase the Group's costs and may affect the pricing for its products and services, increase its conduct and regulatory risks related to non-compliance and limit the Group's ability to pursue business opportunities.
- Inability of the Group's borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of its retail customers and may adversely affect the recoverability of its retail loans, resulting in increased loan losses.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of the Group's borrowers to repay their loans. The degree of uncertainty

concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Group's loan loss allowances.

- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- Any worsening of global economic conditions may delay the recovery of the international financial industry and impact the Group's financial condition and results of operations.

Despite recent improvements in certain segments of the global economy, uncertainty remains concerning the future economic environment. Such economic uncertainty could have a negative impact on the Group's business and results of operations. 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 volatility in the global financial markets could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates paid on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding availability or costs or in deposit rates could have a material adverse effect on the Group's interest margins and liquidity.

If all or some of the foregoing risks were to materialise, this could have a material adverse effect on the Group's financing availability and terms and, more generally, on its results, financial condition and prospects.

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

Conditions in the capital markets and the economy generally in the Eurozone continue to show signs of fragility and volatility, with political tensions in Europe being particularly heightened in the past twelve months. In addition, interest rate differentials among Eurozone countries are affecting government finance and borrowing rates in those economies. These factors could have a material adverse effect on the Group's operating results, financial condition and prospects.

The UK EU Referendum caused significant volatility in the global stock and foreign exchange markets. It has also encouraged anti-EU and populist parties in other member states, raising the potential for other countries to seek to conduct referenda with respect to their continuing membership of the EU. On 4 December 2016, voters in Italy rejected constitutional reform proposals put forward by the Italian Prime Minister by way of referendum (the "**Italian Referendum**"), which was generally regarded as portraying an anti-EU sentiment. Following the results of the UK EU Referendum and the Italian Referendum, the risk of further instability in the Eurozone cannot be excluded, particularly in Germany and France, which are due to hold elections in 2017.

In the past, the European Central Bank ("ECB") and European Council have taken actions with the aim of reducing the risk of contagion in the Eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by Eurozone (and other) nations, which may be under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions.

The Group has direct and indirect exposure to financial and economic conditions throughout the Eurozone economies. Concerns relating to sovereign defaults or a partial or complete break-up of the European Monetary Union, including potential accompanying redenomination risks and uncertainties, have significantly increased in light of the political and economic factors mentioned above. 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.

Risks Relating to Santander CP, Banco Santander and the Group Business

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

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

tax enforcement environment in the jurisdictions in which the Group operates reflects an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, and may lead to material operational and compliance costs.

The Group is from time to time subject to certain claims and is a party to certain legal proceedings incidental to the normal course of its business, including in connection with conflicts of interest, lending activities, relationships with the Group's employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, the Group cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The amount of the Group's reserves in respect of these matters is substantially less than the total amount of the claims asserted against the Group and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Group. As a result, the outcome of a particular matter may be material to the Group's operating results for a particular period.

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

As a financial institution, the Group is subject to extensive regulation, which materially affects its businesses. The statutes, regulations and policies to which the Group is subject may be changed at any time. In addition, the interpretation and the application by regulators of the laws and regulations to which the Group is subject may also change from time to time. Extensive legislation and implementing regulation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the United States, the EU, Latin America and other jurisdictions, and further regulations are in the process of being implemented. The manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which the Group operates, the Group may face higher compliance costs. Any legislative or regulatory actions and any required changes to the business operations of the Group resulting from such legislation and regulations, as well as any deficiencies in the Group's compliance with such legislation and regulation, could result in significant loss of revenue, limit the ability of the Group to pursue business opportunities in which it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require the Group to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Group or otherwise adversely affect its businesses. In particular, legislative or regulatory actions resulting in enhanced prudential standards, in particular with respect to capital and liquidity, could impose a significant regulatory burden on the Bank or on its bank subsidiaries and could limit the Bank's subsidiaries' ability to distribute capital and liquidity to the Bank, thereby negatively impacting the Bank. Future liquidity standards could require the Bank to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the regulatory authorities, as part of their supervisory function, periodically review the Bank's allowance for loan losses. Such regulators may require the Bank to increase its allowance for loan losses or to recognise further losses. Any such additional provisions for loan losses, as required by these regulatory agencies, whose views may differ from those of the Bank's management, could have an adverse effect on the Bank's earnings and financial condition. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

The wide range of regulations, actions and proposals which most significantly affect the Bank, or which could most significantly affect the Bank in the future, relate to capital requirements, funding and liquidity, development of a fiscal and banking union in the EU and regulatory reforms in the United States, and are discussed in further detail below. These and other regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase the Group's operating costs and negatively impact the Group's business model. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the Bank that are deemed to be a global systemically important institution ("G-SII"). 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 the Group may face supervisory measures as a result.

The main regulations and regulatory and governmental oversight that can adversely impact the Group include but are not limited to the following:

Capital requirements, liquidity, funding and structural reform

Increasingly onerous capital requirements constitute one of the Bank's main regulatory challenges. Increasing capital requirements may adversely affect the Bank's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels. As a Spanish financial institution, the Bank is subject to the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("**CRR**") and the Capital Requirements Directive (Directive 2013/36/EU) ("**CRD IV**"), through which the EU began implementing the Basel III capital reforms from 1 January 2014, with certain requirements in the process of being phased in until 1 January 2019. While the CRD IV required national transposition, the CRR was directly applicable in all the EU member states. This regulation is complemented by several binding technical standards and guidelines issued by the European Banking Authority ("**EBA**"), directly applicable in all EU member states, without the need for national implementation measures either. The implementation of the CRD IV into Spanish law has largely taken place through Royal Decree Law 14/2013, Law 10/2014, Royal Decree 84/2015, of 13 February, Bank of Spain Circular 2/2014 and Bank of Spain Circular 2/2016. Credit institutions, such as the Bank, are required, on a standalone and consolidated basis, to hold a minimum amount of regulatory capital of 8 per cent. of risk weighted assets (of which at least 4.5 per cent. must be Common Equity Tier 1 ("**CET1**") capital and at least 6 per cent. must be Tier 1 capital). In addition to the minimum regulatory capital requirements, the CRD IV also introduced capital buffer requirements that must be met with CET1 capital. The CRD IV introduces five new capital buffers: (1) the capital conservation buffer for unexpected losses, requiring additional CET1 of up to 2.5 per cent. of total weighted exposures; (2) the institution-specific counter-cyclical capital buffer, requiring additional CET1 of up to 2.5 per cent. of total weighted exposures; (3) the global systemically important institutions ("**G-SIIs**") buffer of between 1 per cent. and 3.5 per cent. of CET1; (4) the other systemically important institutions buffer, which may be as much as 2 per cent. of CET1; and (5) the CET1 systemic risk buffer. Beginning in 2016, and subject to the applicable phase-in period, entities are required to comply with the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the G-SIIs buffer and the other systemically important institutions buffer, in each case as applicable to the institution).

The Bank will be required to maintain a capital conservation buffer of 2.5 per cent. and a systemically important institutions buffer of 1 per cent., 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 1.25 per cent. and a systemically important institutions buffer of 0.5 per cent..

Article 104 of the CRD IV, 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 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 the 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 and 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 the 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 to hold capital levels similar to, or higher than, those required under the full application of the 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 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 implemented on 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 per cent. CET1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above "combined buffer requirement" is in addition to the minimum capital requirement and to the additional capital requirement. In this regard, under Article 141 of the CRD IV, Member States of the EU must require that an institution that fails to meet the "combined buffer requirement" or the "Pillar 2" capital requirements described above, will be prohibited from paying any "discretionary payments" (which are defined broadly by the CRD IV as payments relating to CET1, variable remuneration and payments on Additional Tier 1 capital instruments), until it calculates its applicable restrictions and communicates them to the regulator and, once completed, such institution will be subject to restricted "discretionary payments". The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. Articles 43 to 49 of Law 10/2014 and Chapter II of Title II of Royal Decree 84/2015 implement the above provisions in Spain. In particular Article 48 of Law 10/2014 and Articles 73 and 74 of Royal Decree 84/2015 deal with restrictions on distributions.

In connection with this, Banco Santander has announced that it has received from the ECB its decision regarding prudential minimum capital phase-in requirements for 2017, following the results of SREP. The ECB decision requires that the Group maintains a CET1 capital ratio of 7.75 per cent. on a consolidated basis. This 7.75 per cent. capital requirement includes: the minimum Pillar 1 requirement (4.5 per cent.); the Pillar 2 requirement (1.5 per cent.); the capital conservation buffer (1.25 per cent.); and the requirement from its consideration as a G-SII (0.5 per cent.). The ECB decision also requires that Banco Santander, S.A. maintains a CET1 capital ratio of at least 7.25 per cent. on an individual basis. This 7.25 per cent. capital requirement includes: the minimum Pillar 1 requirement (4.5 per cent.), the Pillar 2 requirement (1.5 per cent.) and the capital conservation buffer (1.25 per cent.). These capital requirements do not result in any limitations referred to in the 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 ("**LR**"), report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their LR in accordance with the methodology laid down in that article. In January 2014, the Basel Committee finalised a definition of how the LR should be prepared and set an indicative benchmark (namely 3 per cent. of Tier 1 capital). Such 3 per cent. Tier 1 LR has been tested during a monitoring period until 2017 when the Basel Committee will decide on the final calibration. Accordingly, the CRR does not currently contain a requirement for institutions to have a capital requirement based on the LR though prospective investors should note the European Commission's proposal amending the CRR that are mentioned below. The European Commission's proposals contain a binding 3 per cent. CET1 LR requirement, which would be added to the CRR and would be applicable (subject to limited exceptions) to all institutions subject to the CRD IV from 1 January 2018. The potential for the introduction of a LR buffer for G-SIIs at some point in the future is also noted in the proposals.

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 G-SIIs such as the Bank. The final standard consists of an elaboration of the principles on loss absorbing and recapitalisation capacity of G-SIIs in resolution and a term sheet setting out a proposal for the implementation of these proposals in the form of an internationally agreed standard on total loss absorbing capacity ("**TLAC**") for G-SIIs. Once implemented in the relevant jurisdictions, these principles and terms will form a new minimum TLAC standard for G-SIIs, and in the case of G-SIIs with more than one resolution group, each resolution group within the G-SII. The FSB will undertake a review of the technical implementation of the TLAC principles and term sheet by the end of 2019. The TLAC principles and term sheet require a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16 per cent. of risk weighted assets as of 1 January 2019 and 18 per cent. as of 1 January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposure measure as of 1 January 2019, and 6.75 per cent. as of 1 January 2022.

Furthermore, Article 45 of the European Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("**BBRD**") provides that member states shall ensure that institutions meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**"). The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The EBA was in

charge of drafting regulatory technical standards on the criteria for determining MREL (the "**MREL RTS**"). On 3 July 2015 the EBA published the final draft MREL RTS. In application of Article 45(2) of the BRRD, the current version of the MREL RTS is set out in a Commission Delegated Regulation (C(2016) 2976 final) that was adopted by the Commission on 23 May 2016.

The MREL requirement was scheduled to come into force by January 2016. However, the EBA has recognised the impact which this requirement may have on banks' funding structures and costs. Therefore, it has proposed a long phase-in period of 48 months (four years) until 2020.

The European Commission committed to review the existing MREL rules with a view to provide full consistency with the TLAC standard by considering the findings of a report that the EBA is required to provide to the European Commission under Article 45(19) of the BRRD. On 19 July 2016, the EBA published an interim version of the report on implementation and design of the MREL framework where it stated that its provisional view is that the preferred option should be changing the reference base of MREL to risk weighted assets. The final report was published on 14 December 2016.

On 23 November 2016, the European Commission published a proposal for a European Directive amending the BRRD and a proposal for a European Regulation amending Regulation (EU) No. 806/2014 which was passed on 15 July 2014 and became effective from 1 January 2015 (the "**SRM Regulation**"). The main objective of these proposals is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules (the "**TLAC/MREL Requirements**") thereby avoiding duplication from the application of two parallel requirements. As mentioned above, although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. The European Commission is proposing to integrate the TLAC standard into the existing MREL rules and to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be institution-specific and determined by the resolution authority. Under these proposals, institutions such as the Bank would continue to be subject to an institution-specific MREL requirement, which may be higher than the requirement of the TLAC standard.

The European Commission's proposals require the introduction of limited adjustments to the existing MREL rules ensuring technical consistency with the structure of any requirements for G-SIIs. In particular, technical amendments to the existing rules on MREL are needed to align them with the TLAC standard regarding inter alia the denominators used for measuring loss-absorbing capacity, the interaction with capital buffer requirements, disclosure of risks to investors, and their application in relation to different resolution strategies. Implementation of the TLAC/MREL Requirements is expected to be phased-in from 1 January 2019 (a 16 per cent. minimum TLAC requirement) to 1 January 2022 (an 18 per cent. minimum TLAC requirement).

Additionally, the 23 November 2016 proposal amending BRRD proposes the creation of a new asset class of "non-preferred" senior debt that should only be bailed-in after capital instruments but before other senior liabilities. This proposal anticipates that member states will transpose the proposed amendments into the BRRD in their national laws by approximately June 2017 and that issuances of the new "non-preferred" senior debt will have to comply with the amended rules by approximately July 2017.

While the general goal of these proposals is now well understood, it is too early to confirm the exact amendments that will be introduced and consequently the precise impact on Banco Santander and its Group.

Any failure by an institution to meet the applicable minimum TLAC/MREL Requirements is intended 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.

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

EU fiscal and banking union

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

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

The SSM (comprised by both the ECB and the national competent authorities) is designed 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 126 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 per cent. 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 results in the direct supervision of 126 financial institutions, including the Bank, and indirect supervision of around 3,500 financial institutions and is now 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 ECB of 16 April 2014, establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the 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. The SRM Regulation 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 has 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 costs 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 EU. 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 per cent. bail-in of a bank's liabilities has been applied to cover capital shortfalls (in line with the BRRD).

By allowing for the consistent application of EU banking rules through the SSM 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 which 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, on the Recovery and Resolution of Credit Institutions and Investment Firms ("**Law 11/2015**") and Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 ("**Royal Decree 1012/2015**").

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, Regulation (EU) No 648/2012 on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories entered into force ("**EMIR**"). While a number of the compliance requirements introduced by EMIR already apply, the ESMA is still in the process of finalising 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 it to adjust its business practices or increase its costs (including compliance costs).

The new Markets in Financial Instruments legislation (which comprises Regulation (EU) No 600/2014 ("**MiFIR**") and Directive 2014/65/EU ("**MiFID II**")), introduces a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardised. 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 II was initially intended to enter into effect on 3 January 2017. In order to ensure legal certainty and avoid potential market disruption, the European Commission has proposed delaying the effective date of MiFID II by 12 months until 3 January 2018.

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common Financial Transactions Tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). 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 and participating Member States may decide not to participate.

Separately, on 28 September 2011, the European Commission tabled a proposal for a European Council Directive on a common system of financial transaction tax amending Directive 2008/7/EC. See "*—Risk Factors-Transactions in the Instruments could be subject to the European financial transaction tax, if adopted*".

The comprehensive reform of financial instruments accounting, IFRS 9, will be applicable to the Group as of 1 January 2018. Changes to IFRS 9 introduce, among other things, a new impairment model based on expected loss rather than incurred loss. The Group expects that this change is likely to increase loan loss provisions and decrease equity at the date of transition and that volatility in the credit loss line item in the income statement is also likely to increase, which will have a negative effect on the Group's CET1 capital. The European Commission has proposed that the initial effect on equity, as it relates to the capital adequacy ratios, is to be gradually phased in over a five-year period between 2019 and 2023.

In March 2017, the European Banking Authority ("**EBA**") also published an opinion on transitional arrangements and credit risk adjustments to mitigate the effect of the changes to IFRS 9 on prudential ratios. The EBA supports the progressive recognition of the initial impact of IFRS 9, but over a different timeframe, from 1 January 2018 until 2021, which has increased uncertainty as to the timing of transitional arrangements. See "*—Risk Factors-Changes in accounting standards could impact reported earnings*".

United States significant regulation

The regulation in the United States of the financial services industry has experienced significant structural reforms since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") in 2010. The Dodd-Frank Act provided for, or authorised regulations providing for, among other things, the establishment of enhanced prudential standards applicable to certain systemically important financial institutions (SIFIs), including the U.S. operations of certain large foreign banking organisations ("**FBOs**"); establishment of resolution planning requirements for certain U.S. banking organisations and FBOs; prohibitions on engagement by certain banking entities in certain proprietary trading activities and restrictions on ownership or sponsorship of, or entering into certain credit-related transactions with related, covered funds (the "**Volcker Rule**"); more comprehensive regulation of OTC derivatives market; the establishment of a Consumer Financial Protection Bureau with broad authority to regulate the credit, savings, payment and other consumer financial products and

services that the Group offers, and restrictions on the interchange fees earned through debit card transactions. U.S. regulatory authorities have implemented many of these statutorily authorised regulations in ways that significantly affected the Group's revenues, costs and organisational structure in the United States and the scope of its permitted activities. Others of these regulations have yet to be fully implemented and with the new administration in the United States further change may be expected. The ongoing Dodd-Frank Act implementation and potential regulatory changes in connection with the new U.S. administration could result in loss of revenue, higher compliance costs, additional limits on the Group's activities, constraints on its ability to enter into new businesses and other adverse effects on its businesses.

As a large FBO with significant U.S. operations, the Group is subject to enhanced prudential standards that required the Bank to, among other things, 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. The Bank designated its wholly-owned subsidiary Santander Holdings USA ("**SHUSA**") as its U.S. IHC, effective 1 July 2016. As a U.S. IHC, SHUSA is subject to an enhanced supervision framework that includes, or will include, enhanced risk-based and leverage capital requirements, liquidity requirements, risk management and governance requirements and stress-testing requirements. Collectively, the enhanced prudential standards impose a significant regulatory burden on SHUSA, in particular with respect to capital and liquidity, which could limit its ability to distribute capital and liquidity to the Bank, thereby negatively affecting the Bank.

The Group is required under the Dodd-Frank Act to prepare and submit annually to the Federal Reserve Board and the Federal Deposit Insurance Corporation ("**FDIC**") a plan (commonly called a "living will") for the orderly resolution of the Group's subsidiaries and operations that are domiciled in the United States in the event of future material financial distress or failure. In addition, the Group's insured depository institution ("**IDI**") subsidiary, Santander Bank, N.A., must submit a separate IDI resolution plan annually to the FDIC. These resolution plans require substantial effort, time and cost to prepare and are subject to review by the Federal Reserve Board and the FDIC, in the case of the Bank's plan required under the Dodd-Frank Act, and by the FDIC only, in the case of the IDI plan. If, after reviewing the Group's resolution plan required under the Dodd-Frank Act and any related re-submissions, the Federal Reserve Board and the FDIC jointly determine that the Group failed to cure identified deficiencies, they are authorised to impose more stringent capital, leverage or liquidity requirements, or restrictions on the Group's growth, activities or operations, which could have an adverse effect on the Group's business.

In October 2015, the U.S. federal bank regulatory agencies adopted final rules for uncleared swaps that will phase in variation margin requirements from 1 September 2016 through 1 March 2017 and initial margin requirements from 1 September 2016 through 1 September 2020, depending on the level of specified derivatives activity of the swap dealer and the relevant counterparty. The final rules of the U.S. federal bank regulatory agencies would generally apply to inter-affiliate transactions. While their ultimate impact remains uncertain, these rules and similar rules being considered by regulators in other jurisdictions, and the potential conflicts and inconsistencies between them, will likely increase the Group's costs for engaging in swaps and other derivatives activities and present compliance challenges. The U.S. Securities and Exchange Commission's ("**SEC**") will in the future adopt regulations establishing margin requirements for uncleared security-based swaps.

On 3 May 2016, the Federal Reserve Board proposed a new rule that would impose contractual requirements on certain qualified financial contracts ("**QFCs**") to which certain covered entities, including the U.S. operations the Bank, are parties. On 19 August 2016, the Office of the Comptroller of the Currency ("**OCC**") proposed a substantially similar rule that would apply to Santander Bank, N.A. and its subsidiaries. The QFCs covered by the proposals would include derivatives, securities lending transactions and short-term funding transactions such as repurchase agreements. If adopted as proposed, these rules could adversely affect the rights of the Bank's and Santander Bank, N.A.'s creditors or counterparties to these QFCs, which could increase the costs to the Bank of using these contracts.

Each of these aspects of the Dodd-Frank Act, as well as other aspects, such as the Volcker Rule, OTC derivatives regulation 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 fully known; however, such risk could be material and the Group could be material and adversely affected by them.

United States capital, liquidity and related requirements and supervisory actions

As a U.S. IHC and bank holding company, SHUSA is subject to the U.S. Basel III capital rules, which implement in the United States the capital components of the Basel Committee's international capital and liquidity standards known as Basel III. In addition, as a U.S. bank holding company with \$50 billion or more of total consolidated assets, SHUSA is subject to a modified version of the quantitative liquidity coverage ratio requirement. The

liquidity coverage ratio is one of the liquidity components of the international Basel III framework. These capital and liquidity requirements significantly affect the amount of capital and liquidity that SHUSA maintains to support its operations, and if SHUSA fails to meet these quantitative requirements, it could face increasingly stringent regulatory consequences, including but not limited to restrictions on its ability to distribute capital to the Bank.

In addition to these existing capital and liquidity requirements, the Federal Reserve Board proposed a rule on 30 October 2015 that would establish certain TLAC and long-term debt requirements in the United States generally consistent with the FSB's international TLAC standard. If finalised as proposed, the Group's compliance with a final TLAC rule could increase funding costs for SHUSA and the Bank.

Certain of the Group's U.S. subsidiaries, including SHUSA, the Group's U.S. IHC and a bank holding company, are subject to stress testing and capital planning requirements under regulations implementing the Dodd-Frank Act or other banking laws or policies. In June 2016, the Federal Reserve Board, as part of its Comprehensive Capital Analysis and Review ("**CCAR**") process, objected on qualitative grounds to SHUSA's capital plan. In its 2016 public report on CCAR, the Federal Reserve Board stated that although SHUSA had made progress improving certain aspects of its capital planning process, it continues to have material unresolved issues related to its capital planning process and supporting assumptions and analysis, including deficiencies in its risk management framework, internal controls, governance and oversight functions. As a result of these CCAR objections, SHUSA is not permitted to make any capital distributions without the Federal Reserve Board's approval, other than the continued payment of dividends on SHUSA's outstanding class of preferred stock, until a new capital plan is approved by the Federal Reserve Board. The deadline for SHUSA's next capital plan submission is in April 2017, and there is the risk that the Federal Reserve Board will object to SHUSA's next capital plan.

In addition, 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, SHUSA 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, SHUSA agreed to submit to the FRB Boston written procedures to strengthen board oversight of management regarding planned capital distributions by SHUSA and its subsidiaries. In addition, SHUSA agreed to subject future distributions to the prior written approval of the Federal Reserve Board 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. Furthermore, as part of the regular examination process, the Group's U.S. banking regulators may advise the Group's U.S. banking subsidiaries to operate under various restrictions as a prudential matter. 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 the Group's costs and revenues. Moreover, efforts to comply with non-public supervisory actions or restrictions could require material investments in additional resources and systems, as well as a significant commitment of managerial time and attention. As a result, such supervisory actions or restrictions could have a material adverse effect on the Group's business and results of operations, and the Group may be subject to significant legal restrictions on its ability to publicly disclose these matters or the full details of these actions. In addition to such confidential actions and restrictions, 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 organisation, risk management, capital planning and liquidity risk management.

Banking reform in the UK

On 18 December 2013, the Financial Services (Banking Reform) Act (the "**Banking Reform Act**") was enacted in the UK. The Banking Reform Act implements the recommendations of the Independent Commission on Banking (ICB) and of the Parliamentary Commission on Banking Standards. Among other things, the Banking Reform Act establishes a ring-fencing framework under the Financial Services and Markets Act 2000 (FSMA) pursuant to which UK banking groups that hold significant retail deposits are required to separate their retail banking activities from their wholesale banking activities by 1 January 2019, establishes a new Payment Systems Regulator (the

"PSR") and amends the Banking Act 2009 (the "**Banking Act**") to include a bail-in stabilisation power forming part of the special resolution regime.

On 7 July 2016, the PRA published a policy statement (PS20/16) entitled 'The implementation of ring-fencing: prudential requirements, intragroup arrangements and use of financial market infrastructures' containing final ring-fencing rules ahead of the implementation date for ring-fencing on 1 January 2019. The PRA expects firms to finalise their ring-fencing plans and highlight any changes as a result of the policy statement to the PRA. The PRA will keep the policy under review to assess whether changes may be required as a result of any regulatory change following the UK's exit from the EU.

Finally, the Banking Reform Act introduced a new form of transfer scheme, the ring-fencing transfer scheme, under Part VII of FSMA to enable UK banks to implement the ring-fencing requirements. This is a court process that requires (i) the PRA to approve the scheme (in consultation with the FCA); (ii) the appropriate regulatory authority in respect of each transferee to provide a certificate of adequate financial resources in relation to that transferee; and (iii) an independent expert (approved by the PRA, after consultation with the FCA) to provide a scheme report stating whether any adverse effect on persons affected by the scheme is likely to be greater than is reasonably necessary to achieve the ring-fencing purposes of the scheme. The PRA published its final statement of policy on its approach to ring-fencing transfer schemes on 4 March 2016.

The Group's UK subsidiaries are subject to the ring-fencing requirement under the Banking Reform Act and, as a consequence, they will need to separate their core activities from their prohibited activities. The Group's UK subsidiaries continue to work closely with regulators on developing their business and operating model to comply with the ring-fencing requirements. In light of the changeable macro-environment, the board of Santander UK concluded that the Group could provide greater certainty for its customers with a 'wide' ring-fence structure, rather than the 'narrow' ring-fence structure originally envisaged as this will also allow the Group to maintain longer term flexibility. Under this revised model Santander UK plc, the ring-fenced bank, will serve the Group's retail, commercial and corporate customers. Abbey National Treasury Services plc will no longer constitute the non-ring fenced bank and its activities will be revised as part of the new ring-fenced model. The Group intends to complete the implementation of its ring-fence plans well in advance of the legislative deadline of 1 January 2019. The ring-fencing model that the Group's UK subsidiaries ultimately implement will depend on a number of factors including economic conditions in the UK and globally and will entail a legal and organizational restructuring of the Group's UK subsidiaries' businesses and operations, including transfers of customers and transactions through a ring-fencing transfer scheme. In light of the scale and complexity of this process, the operational and execution risks may be material.

This restructuring and migration of customers and transactions could have a material impact on how the Group's conducts its business in the UK. The Group is unable to predict with certainty the attitudes and reaction of its customers. The restructuring of the UK subsidiaries' business pursuant to the developing ring-fencing regime will take a substantial amount of time and cost to implement, the separation process and the structural changes which may be required could have a material adverse effect on its business, operating results, financial condition, profitability and prospects.

The Group is subject to potential intervention by regulators or supervisors, particularly in response to customer complaints

As noted above, the Group's business and operations are subject to increasingly significant rules and regulations that are required to conduct banking and financial services business. 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 authorise, regulate and supervise the Group in the jurisdictions in which 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 its 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 behaviour of customers and the operation of markets. Such a focus could result in usury regulation that could restrict the Group's ability to charge certain levels of interest in credit transactions or in regulation that would prevent the Group from bundling products that it offers to its customers.

Some of the laws in the relevant jurisdictions in 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 in the relevant jurisdictions in which the Group operates, require the Group to be in compliance across all aspects of its business, including the training, authorisation 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 its 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 a 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 its 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 the Group of tax laws and regulations may have a material adverse effect on the Group

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

Changes in taxes and other assessments may adversely affect the Group

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

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

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML, anti-bribery and corruption and sanctions laws and regulations are increasingly complex and detailed and

have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel.

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

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

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

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

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

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

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

Increases in prevailing market interest rates and in the Group's credit spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile.

The Group relies, and will continue to rely, primarily on commercial deposits to fund lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors outside the Group's control, such as

general economic conditions and the confidence of commercial depositors in the economy and in the financial services industry, and the availability and extent of deposit guarantees, as well as competition between banks or with other products, such as mutual funds, for deposits. Any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing the Group's ability to access commercial deposit funding on appropriate terms, or at all, in the future. If these circumstances were to arise, this could have a material adverse effect on the Group's operating results, financial condition and prospects.

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 the Group's ability to access liquidity and on its funding costs.

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

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

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

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

Banco Santander's long-term debt is currently rated investment grade by the major rating agencies—A3 stable outlook by Moody's Investors Service España, S.A., A- positive outlook by Standard & Poor's Ratings Services and A- stable outlook by Fitch Ratings Ltd. In June 2015, Moody's upgraded Banco Santander's rating from Baa1 to A3 in light of their new banking methodology and in February 2016, they modified the Group's outlook from positive to stable in line with the outlook of the Spanish sovereign debt. In October 2015, Standard & Poor's upgraded Banco Santander's rating from BBB+ to A- following the upgrade of the sovereign credit rating of Spain. In February 2017, Standard & Poor's revised the outlook from stable to positive reflecting the revised funding plans announced by the Group, which give Standard & Poor's comfort that the Group will build a substantial additional loss absorbing capacity buffer over the next two years.

Santander UK plc's ("**Santander UK**") long-term debt is currently rated investment grade by the major rating agencies: Aa3 with negative outlook by Moody's Investors Service, A with negative outlook by Standard & Poor's Ratings Services and A with stable outlook by Fitch Ratings.

Banco Santander (Brasil) S.A.'s ("**Santander Brazil**") long-term debt in foreign currency is currently rated BB with a negative outlook by Standard & Poor's Ratings Services, BB with negative outlook by Fitch Ratings Ltd. and Ba2 with a negative outlook by Moody's Investors Service. During the course of 2015 and the first half of 2016 the three major agencies lowered the rating as a result of the lowering of Brazil's sovereign credit rating.

The Group conducts substantially all of its material derivative activities through Banco Santander and Santander UK. The Group estimates that as of 31 December 2016, if all the rating agencies were to downgrade Banco Santander's long-term senior debt ratings by one notch the Group would be required to post up to €228 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two notch downgrade

would result in a further requirement to post up to €38 million in additional collateral. The Group estimates that as of 31 December 2016, 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 a further outflow of £0.4 billion of cash and collateral under secured funding and derivatives contracts.

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

In addition, if the Group was required to cancel its derivatives contracts with certain counterparties and was unable to replace such contracts, the Group's 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 favourable ratings and outlooks could increase the Group's cost of funding and adversely affect interest margins, which could have a material adverse effect on the Group.

The credit quality of the Group's loan portfolio may deteriorate and its loan loss reserves could be insufficient to cover the Group's actual loan losses, which 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 business. Non-performing or low credit quality loans have in the past negatively impacted the Group's results of operations and could do so in the future. In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of growth in the Group's total loan portfolio, including as a result of loan portfolios that the Group may acquire in the future (the credit quality of which may turn out to be worse than the Group had anticipated), or factors beyond the Group's control, such as adverse changes in the credit quality of its borrowers and counterparties or a general deterioration in economic conditions in the regions where it operates or in global economic and political conditions. If the Group was unable to control the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Group.

The Group's loan loss reserves are based on its current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among other things, the Group's borrowers' financial condition, repayment abilities and repayment intentions, the realisable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Because many of these factors are beyond the Group's control and there is no precise method for predicting loan and credit losses, the Group cannot assure that its current or future loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of the Group's total loan portfolio deteriorates, for any reason, or if the future actual losses exceed the Group's estimates of incurred losses, the Group may be required to increase its loan loss reserves, which may adversely affect it. Additionally, in calculating its loan loss reserves, the Group employs qualitative tools and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete. For further details regarding the Group's risk management policies, see *"Risk Factors-Failure to successfully implement and continue to improve the Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the Group, and the Group may be exposed to unidentified or unanticipated risks"*.

Mortgage loans are one of the Group's principal assets, comprising 46 per cent. of its loan portfolio as of 31 December 2016. The Group's exposure is concentrated in residential mortgage loans, especially in Spain and the United Kingdom. During late 2007, following an earlier period of increased demand, the housing market began to adjust downward in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher

interest rates. From 2008 to 2013, 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 caused home prices to decline, while mortgage delinquencies and forbearances increased.

As a result of these and other factors, the Group's non-performing loans ("NPL") ratio increased from 0.94 per cent. at 31 December 2007, to 2.02 per cent. at 31 December 2008, to 3.24 per cent. at 31 December 2009, to 3.54 per cent. at 31 December 2010, to 3.90 per cent. at 31 December 2011, to 4.54 per cent. 31 December 2012 and to 5.64 per cent. at 31 December 2013. Although the trend changed during the last three years as the Group's NPL ratio decreased to 5.19 per cent. at 31 December 2014, to 4.36 per cent. at 31 December 2015 and to 3.93 per cent. at 31 December 2016, the Group can provide no assurance that its 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 the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect on its business, financial condition and results of operations.

Additionally, financial crisis led to the accumulation of illiquid assets with lower profitability than the Group's current targets. Such assets could negatively affect the Group's ability to reach out current profitability targets.

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

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

The Group is subject to counterparty risk in its banking business

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

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even 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 the Group enters into expose it to significant credit risk in the event of default by one of its significant counterparties.

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

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 its business:

- net interest income;
- the volume of loans originated;
- credit spreads;
- the market value of the Group's securities holdings;
- the value of loans and deposits; and
- the value of the Group's derivatives.

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

Increases in interest rates may reduce the volume of loans the Group originates. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may 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.

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

The Group is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect the Group's earnings and value of its assets and securities. The recent volatility in the value of the pound sterling in the wake of the UK EU Referendum (see "*Risk Factors-Exposure to UK political developments, including the outcome of the UK referendum on membership of the European Union, could have a material adverse effect on the Group*") may persist as negotiations continue and could adversely impact the Group's UK customers and counterparties, as well as the overall results and prospects of its UK operations. 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 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 the Group's investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of the Group's investments in 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 its results. To the extent any of these risks materialise, the Group's net interest income or the market value of its assets and liabilities could be materially adversely affected.

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

In the past nine years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. The Group has material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then-prevailing market conditions, may result in negative changes in the fair values of the Group's financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by the Group on disposal may be lower than the current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on 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. The Group is subject to market, credit and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

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

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

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating the Group's 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 behaviour. 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. As a result, the Group's losses could be significantly greater than the historical measures indicate. In addition, the Group's quantified modeling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing 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 the Group's credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer. As this process involves detailed analyses of the customer, taking into account both quantitative and qualitative factors, it is subject to human or IT systems errors. In exercising their judgment on current or future credit risk behaviour of the Group's customers, its 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.

Failure to effectively implement, consistently follow or continuously refine the Group's credit risk management system may result in an increase in the level of non-performing loans and a higher risk exposure for the Group, which could have a material adverse effect on it.

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

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

technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.

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

Like other financial institutions, 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, the Group's 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 sensitive personal data 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 such that its data and/or client records are incomplete, not recoverable or not securely stored. Although the Group works with its clients, vendors, service providers, counterparties and other third parties to develop secure data and information processing storage and transmission capabilities to prevent against information security risk, the Group routinely manages personal, confidential and proprietary information by electronic means, and the Group may be the target of attempted cyber-attack. If the Group cannot maintain an effective and secure electronic data and information, management and processing system, or it fails to maintain complete physical and electronic records, this could result in regulatory sanctions and serious reputational or financial harm to the Group.

The Group takes protective measures and continuously monitors and develops its systems to protect its technology infrastructure, data and information from misappropriation or corruption, but the Group's systems, software and networks nevertheless may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action, reputational harm and financial loss. There can be no absolute assurance that the Group will not suffer material losses from operational risk in the future, including those relating to any security breaches.

The Group has seen in recent years computer systems of companies and organisations 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 disrupt the Group's electronic systems used to service its customers. As attempted attacks continue to evolve in scope and sophistication, the Group may incur significant costs in order 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, for example 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 impacted by cyber-attacks against national critical infrastructures of the countries where it operates, for example, the telecommunications network. 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.

Although the Group has procedures and controls to safeguard personal information in its possession, unauthorised disclosures could subject the Group to legal actions and administrative sanctions as well as damages and reputational harm that could materially and adversely affect its 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 may be required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorised 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 its clients with delays or errors, which could reduce demand for the Group's services and products, could produce customer claims and could materially and adversely affect the Group.

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

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

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

Any increase in the current size of the deficit in the Group's defined benefit pension plans could result in its having to make increased contributions to reduce or satisfy the deficits, which would divert resources from use in other areas of the Group's business. Any such increase may be due to certain factors over which the Group has no or limited control. Increases in the Group's pension liabilities and obligations could have a material adverse effect on its business, financial condition and results of operations.

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

The substantial majority of the Group's operations are conducted through its financial services subsidiaries. As a result, the Group's ability to pay dividends, to the extent it decides to do so, depends in significant part on the ability of its subsidiaries to generate earnings and to pay dividends to the Group. Payment of dividends, distributions and advances by the Group's subsidiaries will be contingent upon its subsidiaries' earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. Additionally, the Group's right to receive any assets of any of its subsidiaries as an equity holder of such subsidiaries, upon their liquidation or reorganisation, will be effectively subordinated to the claims of the Group's subsidiaries' creditors, including trade creditors.

Increased competition, including from non-traditional providers of banking services such as financial technology providers, and industry consolidation may adversely affect the results of operations of the Group

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 growth prospects of the Group, and therefore its operations. The Group also faces competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

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

The rise in customer use of internet and mobile banking platforms in recent years could negatively impact the Group's investments in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards internet and mobile banking may necessitate changes to the Group's retail distribution strategy, which may include closing and/or selling certain branches and restructuring its remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of the Group's remaining branches or to otherwise reform its retail distribution channel. Furthermore, the Group's failure to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect on its competitive position.

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

If the Group's customer service levels were perceived by the market to be materially below those of its competitor financial institutions, the Group could lose existing and potential business. If the Group is not successful in retaining and strengthening customer relationships, the Group 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 the Group offers to its clients and its ability to continue offering products and services from third parties, and the Group may not be able to manage various risks it faces as it expands its range of products and services that could have a material adverse effect on the Group

The success of the Group's operations and its profitability depends, in part, on the success of new products and services the Group offers to its clients and its ability to continue offering products and services from third parties. However, the Group cannot guarantee that its new products and services will be responsive to client demands, or that they will be successful. In addition, the Group's clients' needs or desires may change over time, and such changes may render its products and services obsolete, outdated or unattractive and the Group may not be able to develop new products that meet 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 behaviour. If the Group cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially and adversely affect the Group.

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 it operates, the Group will be exposed to new and potentially increasingly complex risks and development expenses. The Group's employees and risk management systems, as well as its experience and that of its partners may not be sufficient to enable it to properly manage such risks. In addition, the cost of developing products that are not launched is likely to affect the results of operations of the Group. Any or all of these factors, individually or collectively, could have a material adverse effect on the Group.

While the Group has successfully increased its customer service levels in recent years, should these levels ever be perceived by the market to be materially below those of the Group's competitor financial institutions, it could lose existing and potential business. If the Group is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of the Group's activities or fail to attract new deposits or

retain existing deposits, which could have a material adverse effect on its operating results, financial condition and prospects. For further detail on the Group's legal and regulatory risk exposures, please see "*Risk Factors—The Group is exposed to risk of loss from legal and regulatory proceedings*".

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

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

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow the Group's existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates,
- including local regulation that can reduce or eliminate expected synergies;
- finance strategic investments or acquisitions;
- align the Group's current information technology systems adequately with those of an enlarged group;
- apply the Group's risk management policy effectively to an enlarged group; and
- manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage growth effectively could have a material adverse effect on the Group's 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

The Group has made business acquisitions in recent years and may make further acquisitions in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written-down if the Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect of goodwill is performed annually, more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not, however, affect the Group's regulatory capital. While no material impairment of goodwill was recognised at Group level in 2014, 2015 or 2016, there can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect its results and net assets.

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

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

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

The Group relies on third parties and affiliates for important products and services

Third party vendors and certain affiliated companies provide key components of the Group's business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third parties and affiliated companies can be a source of operational and regulatory risk to the Group, including with respect to security breaches affecting such parties. The Group is also subject to risk with respect to security breaches affecting the vendors and other parties that interact with these service providers. As the Group's interconnectivity with these third parties and affiliated companies increases, it increasingly faces the risk of operational failure with respect to its systems. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing the Group's operational costs and potentially decreasing customer satisfaction. In addition, any problems caused by these third parties or affiliated companies, including as a result of them not providing the Group their services for any reason, or performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise conduct its business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third party vendors could also entail significant delays and expense. Further, the operational and regulatory risk the Group faces as a result of these arrangements may be increased to the extent that the Group restructures such arrangements. Any restructuring could involve significant expense to the Group and entail significant delivery and execution risk which could have a material adverse effect on the Group's business, operations and financial condition.

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

Maintaining a positive reputation is critical to protect the Group's brand, to attract and retain customers, investors and employees and to conduct business transactions with counterparties. Damage to the Group's reputation can therefore cause significant harm to its business and prospects. Harm to the Group's reputation can arise from numerous sources, including, among others, employee misconduct, including the possibility of fraud perpetrated by the Group's employees, litigation or regulatory enforcement, failure to deliver minimum standards of service and quality, compliance failures, unethical behaviour, and the activities of customers and counterparties. Further, negative publicity regarding the Group 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 identify and manage potential conflicts of interest properly. The failure, or 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.

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

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

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

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

Changes in accounting standards could impact reported earnings

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Group's consolidated financial statements. These changes can materially impact how the Group records and reports its financial condition and results of operations. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. For further information and developments in financial accounting and reporting standards, see Note 1 to the Group's consolidated financial statements.

The financial statements of Santander CP and Banco Santander 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 Group in reports filed or submitted under the U.S. Securities Exchange Act of 1934 (the "Exchange Act") is accumulated and communicated to management, and recorded, processed, summarised and reported within the time periods specified in the 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 errors or mistakes. Additionally, controls can be circumvented by any unauthorised override of the controls. Consequently, the Group's businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions, civil claims and serious reputational or multinational financial harm. In recent years, a number of financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions the Group takes to prevent and detect this activity may not always be effective. Accordingly, because of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.

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-EU, which differ from U.S. Generally Accepted Accounting Principles in a number of respects. In addition, as a foreign private issuer, the Group is not subject to the same disclosure requirements in the United States as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, 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 a prospective investor will not be the same as the information available to shareholders of a U.S. company and may be reported in a manner that it is not familiar with.

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

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

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

RISKS IN RELATION TO THE NOTES

There is no active trading market for the Notes

The Notes may have no established trading market when issued, and one may never develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes at a particular time or may not be able to sell their Notes at a favourable price. Although applications have been made for Notes issued under the Programme to be admitted to the Official List and to trading on the regulated market of 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 SA/NV and/or Clearstream, Luxembourg and possibly other clearing systems, investors will have to rely on their procedures for transfer, payment and communication with Santander CP and/or Banco Santander.

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 SA/NV 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 SA/NV and/or Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear SA/NV 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 SA/NV 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, each of Santander CP and Banco Santander 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 SA/NV 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 SA/NV and/or Clearstream, Luxembourg and/or any other clearing system and their relevant participants, to receive payments

under their relevant Notes. Santander CP and Banco Santander have 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 Santander CP and Banco Santander under the relevant Notes but will have to rely upon their rights under the Deed of Covenant dated 21 April 2017 (the "**Deed of Covenant**").

Santander CP and Banco Santander may redeem the Notes for tax reasons

An optional redemption feature of Notes is likely to limit their market value. During any period when Santander CP or Banco Santander 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.

Santander CP and Banco Santander 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 each of Santander CP and Banco Santander 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

Santander CP and Banco Santander are required to receive certain information relating to the Notes. If such information is not received by Santander CP and/or Banco Santander, 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 Santander CP or Banco Santander 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 Santander CP or Banco Santander, 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.

Santander CP, Banco Santander 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 Santander CP or Banco Santander (as applicable) on each Payment Date, Santander CP or Banco Santander (as applicable) will withhold tax at the then-applicable rate (as at the date of this Information Memorandum) 19 per cent. from any payment in respect of the relevant Notes. Neither Santander CP nor Banco Santander (as applicable) 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 Santander CP, Banco Santander (as applicable) 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 Santander CP or Banco Santander (as applicable). In

the opinion of Santander CP and Banco Santander, 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 Santander CP and Banco Santander under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

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

If the Spanish tax authorities maintain a different opinion as to the application by Santander CP or Banco Santander (as applicable) of withholding to payments made to Spanish residents (individuals and entities subject to Corporate Income Tax), Santander CP or Banco Santander (as applicable) will be bound by that opinion and, with immediate effect, will make the appropriate withholding and Santander CP or Banco Santander (as applicable) 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).

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 Banco Santander.

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

Santander CP or Banco Santander (as applicable) will pay principal and interest on the Notes and Banco Santander, in respect of Notes issued by Santander CP, 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 Santander CP or Banco Santander (as applicable) 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 Royal Decree 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 (including to zero) certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt to equity (the "**general bail-in tool**"), which equity could also be subject to any application of the relevant resolution tools. 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 maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is failing or likely to fail may depend on a number of factors which may be outside of that institution's control.

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

The powers set out in the BRRD, as implemented in Spain through Law 11/2015 and Royal Decree 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 Santander CP or Banco Santander (as applicable) to satisfy their obligations under any Notes.

There may be limited protections, if any, that will be available to holders of securities subject to the general bail-in power (including the Notes) and to the broader resolution powers of the Relevant Resolution Authority. Accordingly, Noteholders may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its bail-in power.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

1. an English language translation of Banco Santander's audited consolidated and non-consolidated financial statements, together with the notes thereto and auditors' report thereon prepared in accordance with IFRS-EU, included in the section entitled "Auditor's report and Annual Consolidated Accounts" of Banco Santander's Annual Reports for the years ended 31 December 2015 and 31 December 2016; and
2. an English language translation of the audited financial statements of Santander CP, prepared in accordance with generally accepted accounting principles in Spain, for the years ended 31 December 2015 and 31 December 2016.

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.

KEY FEATURES OF THE PROGRAMME

Banco Santander:	Banco Santander, S.A.
Santander CP:	Santander Commercial Paper, S.A. Unipersonal
Issuer:	Banco Santander and/or Santander CP
Guarantor:	Banco Santander (only in respect of Notes issued by Santander CP)
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of Santander CP and Banco Santander to fulfil their respective obligations under the Notes are discussed under " <i>Risk Factors</i> ", above.
Arranger:	Barclays Bank PLC
Dealers:	Banco Santander, S.A., Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank Europe plc, UK Branch, Commerzbank Aktiengesellschaft, Coöperatieve Rabobank U.A., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., J.P. Morgan Securities plc, Société Générale, The Royal Bank of Scotland plc (trading as Natwest Markets), UBS Limited and any other Dealer appointed from time to time by Santander CP or Banco Santander 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 Santander CP or Banco Santander 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 Santander CP or Banco Santander and the relevant Dealer from time to time, subject in each case to compliance with all applicable legal and regulatory requirements and **provided that** the equivalent of that denomination in Sterling as at the Issue Date is not less than £100,000.

Maturity of the Notes:	Not less than 1 nor more than 364 days, subject to legal and regulatory requirements.
Tax Redemption:	Early redemption will only be permitted for tax reasons as described in the terms of the Notes.
Redemption on Maturity:	The Notes will be redeemed at par.
Issue Price:	The Issue Price of each issue of interest bearing Notes (and, in the case of discount Notes, the discount rate) will be as set out in the relevant Final Terms.
Status of the Notes:	The payment obligations of Santander CP or Banco Santander pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of Santander CP or Banco Santander, as applicable, and upon the insolvency of Santander CP or of Banco Santander, as applicable (and unless they qualify as subordinated debts under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank <i>pari passu</i> and rateably without any preference among themselves and the payment obligations of Santander CP or Banco Santander, as applicable, under the Notes rank at least <i>pari passu</i> with all other unsecured and unsubordinated indebtedness, present and future of Santander CP or Banco Santander (as applicable).
Status of the Deed of Guarantee:	Only in respect of the Notes issued by Santander CP, the obligations of Banco Santander in respect of the guarantee of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of Banco Santander and upon the insolvency of Banco Santander (and unless they qualify as subordinated debts under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank <i>pari passu</i> and rateably without any preference among such obligations of Banco Santander in respect of the Notes of the same issue and at least <i>pari passu</i> with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of Banco Santander, 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, Santander CP or Banco Santander (as applicable) is required to receive certain information relating to the Notes.

If the Issue and Paying Agent fails to provide Santander CP or Banco Santander (as applicable) with the required information described under "*Taxation in Spain— Information about the Notes in Connection with Payments*", Santander CP or Banco Santander (as applicable) 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 per cent.).

None of Santander CP, Banco Santander, 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 SA/NV 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 SA/NV 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 Santander CP and Banco Santander may decide. Santander CP and Banco Santander shall be responsible for any fees incurred therewith. Santander CP or Banco Santander (as applicable) 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 SA/NV 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 Prohibition of Sales to EEA Retail Investors, the United Kingdom, Japan, Spain and France (see " <i>Subscription and Sale</i> ").
Governing Law:	The status of the Notes and the status of the Deed of Guarantee, the capacity of Santander CP and Banco Santander and the relevant corporate resolutions shall be governed by Spanish law. Any non-contractual obligations arising out of or in connection with the Notes, the Terms and Conditions of the Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.
Use of Proceeds:	The net proceeds of the issue of the Notes will be deposited on a permanent basis with Banco Santander and will be used for the general funding purposes of the Group.

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

The legal name of Santander CP is Santander Commercial Paper, S.A. Unipersonal. Santander CP which is a wholly owned subsidiary of Banco Santander, 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 CP on 31 December 2016 was 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 CP is a financing vehicle for the Group and has no subsidiary companies. Its exclusive activities are the issuance of commercial paper guaranteed by Banco Santander.

The assets of Santander CP are comprised principally of inter-company debt with Banco Santander.

Santander CP did not have any outstanding secured or unsecured indebtedness other than € 6,149,500,000 of Euro-commercial paper notes, £98,000,000 Euro-commercial paper notes, USD 301,900,000 Euro-commercial paper notes and USD 95,500,000 of U.S. commercial paper notes outstanding as of 31 March 2016 under the Programme.

The registered office of Santander CP is located at Banco Santander'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 Santander CP, nor any significant change in its financial or trading position, since 31 December 2016.

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

Name	Position	Other Position in the Group
José Antonio Soler	Chairman	Senior Vice-president of Banco Santander
Antonio Torío Martín	Director	Vice-president of Banco Santander
Pablo Roig García Bernalt	Director	Vice-President of Banco Santander
Juan Urifoen Jruska	Director	Vice-president of Banco Santander

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 Santander CP and their private interests and/or other duties.

During the 12 months prior to the date of this Information Memorandum, Santander CP has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Santander CP is aware) which may have, or have had in the recent past, significant effects on Santander CP's financial position or profitability.

The financial statements for the year ended 31 December 2016 and 31 December 2015, of Santander CP, prepared in accordance with the regulatory financial reporting framework applicable to Santander CP which consist of the Spanish Commercial Code and all other Spanish corporate law, the Spanish national Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, and its subsequent amendments, the mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation and all other applicable Spanish accounting legislation were audited by the external auditors, Pricewaterhouse Coopers Auditores, S.L., of Madrid, Paseo de la Castellana, 259B, and registered under number S0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*), for the year ended 31 December 2016, and Deloitte, S.L. of Plaza Passto Ruiz Picasso, 1, Madrid and registered under number S0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) for the year ended 31 December

2015. Both Pricewaterhouse Coopers Auditores, S.L. and 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.

History and development of Banco Santander

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

Banco Santander is registered in the Mercantile Registry of Cantabria in book 83, folio 1, sheet 9, entry 5519 and adapted its bylaws to conform with current legislation regarding limited liability companies by a document executed in Santander on 8 June 1992 before the Public Notary Mr. José María de Prada Díez, 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 bylaws, which have been adapted to the reinstated text of the Companies Law approved by Royal Decree 1/2010, of 2 July (*Texto Refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de Julio*) (the "**Spanish Companies Law**"), were approved by the shareholders at the general shareholders' meeting held on 18 March 2016 and filed with the Office of the Mercantile Registry on 25 May 2016.

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

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

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

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

The Bank is domiciled in Spain and has the legal form of a limited liability company (*sociedad anónima*).

Banco Santander is a Spanish company which operates under the Spanish Companies Law. Banco Santander is subject to special legislation applicable to credit entities and private banking in general, and the supervision, control and regulation of the Bank of Spain and the ECB.

The Bank was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, 39004, Santander, Spain. The headquarters of the Bank are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520.

Acquisitions, Dispositions, Reorganisations and Other Recent Events

Following is a summary of the main acquisitions and disposals of ownership interests in the share capital of other entities and other significant corporate transactions performed by the Group in the last three years:

i. Agreement with respect to Santander Asset Management

On 16 November 2016, once the agreement to integrate Santander Asset Management and Pioneer Investments was not terminated, Santander announced that it had reached an agreement with Warburg Pincus ("**WP**") and General Atlantic ("**GA**") pursuant to which Santander will acquire 50 per cent. of Santander Asset Management so that it will once again be a 100 per cent. owned unit of the Group.

As part of the transaction, Santander, WP and GA agreed to explore different alternatives for the sale of Santander's stake in Allfunds Bank, S.A. ("**Allfunds Bank**"), including a possible sale or a public offering.

The Group estimates that in 2018 the operation will contribute to its earnings per share (> 1 per cent.) and will generate a return on invested capital (ROIC) of more than 20 per cent. (and 25 per cent. in 2019). The Group also estimates that by the end of 2017 the negative impact on its capital (core equity tier 1) of the operation will be

approximately 11 basis points. All estimates are net of the effect of the foreseeable sale of 25.25 per cent. of indirect ownership held by the Group in Allfunds Bank.

On 7 March 2017, Santander announced that, together with its partners in Allfunds Bank¹, it had reached an agreement for the sale of 100 per cent. of Allfunds Bank to funds affiliated with Hellman & Friedman, a leading private equity investor, and GIC, Singapore's sovereign wealth fund.

Santander estimates that the proceeds it will obtain from the sale of its stake of 25 per cent. in Allfunds Bank will be approximately €470 million, with a capital gain net of taxes of approximately €300 million.

The transaction is subject to obtaining all required regulatory approvals.

ii. 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 loan recovery activities of Banco Santander, S.A. in Spain and for managing and marketing the properties relating to this activity ("**Altamira Asset Management, S.L.**").

On 3 January 2014, Santander announced that it had sold 85 per cent. 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 at its gross amount under Gains/(losses) on disposal of assets not classified as non-current assets held for sale in the 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. Notwithstanding the foregoing, part of the portfolio of real estate assets are not managed by Altamira Asset Management, but by Aktua Soluciones Financieras, a company owned 85 per cent. by Lindorff, and 15 per cent. by Banco Santander.

iii. Purchase of shares of DDFS LLC in Santander Consumer USA Holdings Inc. (SCUSA)

On 2 July 2015, Santander announced that it had reached an agreement to purchase the 9.65 per cent. ownership interest held by DDFS LLC in SCUSA. Following this transaction, which is subject to the receipt of the relevant regulatory authorisations, Santander will have an ownership interest of approximately 68.5 per cent. in SCUSA.

iv. 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 per cent. of the share capital of Financiera El Corte Inglés E.F.C., S.A., with El Corte Inglés, S.A. retaining the remaining 49 per cent. On February 27, 2014 following the receipt of the relevant regulatory and competition authorisations, the acquisition was completed. Santander Consumer Finance, S.A. paid €140 million for 51 per cent. of the share capital of Financiera El Corte Inglés E.F.C., S.A.

¹ The other shareholders in Allfunds Bank are the Group's partners in Santander Asset Management, Warburg Pincus and General Atlantic, with a combined 25 per cent. and Eurizon Capital SGR, a subsidiary of Intesa Sanpaolo, with 50 per cent..

The detail of the fair values of the identifiable assets acquired and liabilities assumed at the business combination date is as follows:

	Millions of euros
Loans and advances to credit institutions	29
Loans and receivables - Loans and advances to customers	1,291
Intangible assets	2
Other assets	22
Total assets	1,344
Deposits from credit institutions	173
Customer deposits	81
Marketable debt securities	585
Provisions	3
Other liabilities	290
Total liabilities	1,132
Net asset value	212
Non-controlling interests	(104)
Consideration paid	140
Goodwill	32

In 2014 Financiera El Corte Inglés E.F.C., S.A. contributed €26 million to the Group's profit. Had the business combination taken place on 1 January 2014 the profit contributed would not have varied significantly.

v. 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 31 July 2014 and the price was set at BRL 1,156 million (approximately €383 million), giving rise to goodwill of €229 million, which was included in the Banco Santander (Brasil) cash-generating unit (see Note 17 to the Group's consolidated financial statements).

Among the agreements reached, the Group granted a put option to the non-controlling shareholders of Getnet Adquirência e Serviços para Meios de Pagamento, S.A. on all the shares held by them (11.5 per cent. of the share capital of this company). The Group recognised the corresponding liability amounting to €308 million with a charge to equity.

In 2014 Getnet Tecnologia Em Captura e Processamento de Transações H.U.A.H., S.A. contributed €11 million to the Group's profit. Had the business combination taken place on 1 January 2014 the profit contributed to the Group in 2014 would have been approximately €21 million.

vi. Banco Santander (Brasil), S.A.

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 per cent. 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 per cent. 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 per cent. of its share capital. To cater for the exchange, Santander, executing the agreement adopted by the extraordinary general shareholders' meeting held on 15 September 2014, issued 370,937,066 shares, representing approximately 3.09 per cent. 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.

vii. 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 per cent. stake in the two insurance companies based in Ireland (Santander Insurance Life DAC and Santander Insurance Europe DAC) that distribute life and non-life products through the Santander Consumer Finance network and 51 per cent. of the service provider.

In December 2014, after the regulatory authorizations had been obtained, CNP paid €297 million to acquire 51 per cent. of the share capital of the two aforementioned insurance companies and, therefore, control thereof. The agreement also included 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 aforementioned agreement included the execution of a 10-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 in 2014 under Gains/(losses) on disposal of assets not classified as non-current assets held for sale (see Note 49 to the Group's consolidated financial statements), of which €207 million related to the fair value recognition of the 49 per cent. ownership interest retained by the Group.

viii. Agreement with GE Capital

On 23 June 2014, the Group announced that Santander Consumer Finance, S.A., 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 (SEK 6,408 million). On 6 November 2014, following the receipt of the relevant authorisations, the acquisition was completed.

The detail of the fair values of the identifiable assets acquired and liabilities assumed at the business combination date is as follows:

	Millions of euros
Cash and balances with central banks	28
Loans and advances to credit institutions	179
Loans and receivables - Loans and advances to customers (*)	2,099
Intangible assets	22
Other assets	62
Total assets	2,390
Deposits from credit institutions	1,159
Customer deposits	769
Subordinated liabilities	81
Other liabilities	79
Total liabilities	2,088
Net asset value	302
Consideration paid	693
Goodwill	391

(*) In estimating their fair value, the value of the loans was reduced by €75 million.

In 2014 this business contributed €8 million to Santander's profit. Had the business combination taken place on 1 January 2014 the profit contributed to the Group in 2014 would have been approximately €94 million.

ix. Agreement with Banque PSA Finance

Santander, through its subsidiary Santander Consumer Finance, S.A., and Banque PSA Finance, the vehicle financing unit of the PSA Peugeot Citroën Group, entered into an agreement in July 2014 for the joint operation of the vehicle and insurance 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 January 2015 the related regulatory authorizations to commence activities in France and the United Kingdom were obtained and, accordingly, on 2 and 3 February 2015 Santander acquired 50 per cent. of Société Financière de Banque – SOFIB (actually PSA Banque France) and PSA Finance UK Limited for €462 million and €148 million, respectively.

On 1 May, PSA Insurance Europe Limited and PSA Life Insurance Europe Limited (both insurance companies with registered office in Malta) were incorporated, in which Santander contributed 50 per cent. of the share capital, amounting to €23 million. On 3 August 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 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 per cent. of the share capital). (This company owns the 100 per cent. of the share capital of PSA Finanse Suisse which is domiciled in Switzerland).

During 2016, the necessary authorisations, from the regulators, to start activities in the rest of the countries covered by the framework agreement (Italy, the Netherlands, Austria, Belgium, Germany, Brazil and Poland) were obtained. Santander's disbursement during 2016 amounted to €464 million to reach a 50 per cent. stake in the capital of each of the structures created in each geography, with the exception of PSA finance Arrendamiento Mercantil SA where 100 per cent. of capital is acquired.

During 2016 the new businesses acquired have contributed €79 million to Santander's profit. Had the business combination taken place on 1 January 2016 the profit contributed to the Group in 2016 would have been approximately €118 million.

x. Carfinco Financial Group

On 16 September 2014, Santander announced that it had reached an agreement to purchase the listed Canadian company Carfinco Financial Group Inc. ("Carfinco"), a company specializing in vehicle financing.

In order to acquire Carfinco, Santander Holding Canada Inc. was incorporated, a company 96.4 per cent. owned by Banco Santander, S.A. and 3.6 per cent. owned by certain members of the former management group. On 6 March 2015, all of Carfinco was acquired through the aforementioned holding company for €209 million, giving rise to goodwill of €162 million.

In 2015 this business contributed €6 million to the Santander's profit. Had the business combination taken place on 1 January 2015 the profit contributed to the Group in 2015 would have been approximately €7 million.

xi. Metrovacesa

On 21 June 2016, Banco Santander reached an agreement with Merlin Properties, SOCIMI, S.A., together with other shareholders of Metrovacesa, S.A., for the integration of part of Metrovacesa, S.A.'s business in Merlin group, following the total spin-off of Metrovacesa, S.A.

The mentioned spin-off would imply: (i) Metrovacesa, S.A.'s commercial real estate rental business integration in Merlin Properties, SOCIMI, S.A., and (ii) Metrovacesa, S.A.'s residential rental business integration in Merlin Properties SOCIMI, S.A. subsidiary, Testa Residencial SOCIMI, S.A. (formerly, Testa Residencial, S.L.). The other assets of Metrovacesa, S.A. not integrated in Merlin group as a result of the integration, consisting of a residual group of land assets for development and subsequent lease, will be transferred to a newly created company wholly owned by the current shareholders of Metrovacesa, S.A.

On 15 September 2016, the general meetings of shareholders of Merlin Properties, SOCIMI, S.A. and Metrovacesa S.A. approved the transaction.

Subsequently, on 20 October 2016, the deed of total division of Metrovacesa, S.A. was granted in favour of the mentioned companies, and such deed was filed in the Commercial Register on 26 October 2016. As a result of the integration, Group increased its participation to 21.95 per cent. of the equity capital of Merlin Properties, SOCIMI, S.A., 46.21 per cent. of direct participation in the equity capital of Testa Residencial SOCIMI, S.A. and 70.27 per cent. in Metrovacesa Promoción y Arrendamiento, S.A.

The main impacts on the Consolidated Group's balance of this division have been; decrease of €3.8 billion in real estate investment (see Note 16 to Santander's consolidated financial statements), decrease of €621 million under minority interests (see Note 28 to Santander's consolidated financial statements) and an increase in the heading of investments in joint ventures and associates participation of the businesses received in the associates Merlin Properties and Testa Residencial, of €1,168 million and €307 million, respectively. (See Note 13.a to Santander's consolidated financial statements).

In addition, Banco Santander, SA, together with other entities, made a contribution of assets to Testa Residencial in the first quarter of 2017, without significant changes in Santander's participation in that company (which is 44.13 per cent. after the contribution).

xii. Banco Internacional do Funchal (Banif)

On 21 December 2015, Santander announced that the Bank of Portugal, as the resolution authority, decided to award Banco Santander Totta, S.A., the Portuguese subsidiary of Banco Santander, S.A., the commercial business of BANIF- Banco Internacional do Funchal, S.A. and, accordingly, the businesses and branches of this entity became part of the Group.

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 detail of the fair values of the identifiable assets acquired and liabilities assumed at the business combination date is as follows:

	Millions of euros
Cash and balances with central banks	2,510
Loans and advances to credit institutions	424
Debt instruments	1,824
Loans and advances to customers	5,320
Other assets	218
Total assets	10,296
Deposits from central banks	2,110
Deposits from credit institutions	1,052
Customer deposits	4,430
Marketable debt securities	1,697
Other liabilities	574
Total liabilities	9,863
Net asset value	433
Consideration paid	150
Negative Goodwill on the acquisition	283

Since the acquisition took place by the end of December 2015, these businesses did not contribute materially to the Group's profit on this exercise.

xiii. Custody business

On 19 June 2014, the Group announced that it had reached an agreement with FINESP Holdings II B.V., a subsidiary of Warburg Pincus, to sell a 50 per cent. stake in Santander's custody business in Spain, Mexico and Brazil. The remaining 50 per cent. will be retained by the Group.

On 16 March 2016, the parties agreed disregard the original investment structure and continue to work in good faith until 30 June 2016, on an alternative investment structure that would allow the sale by Santander of the 50 per cent. stake referred to above.

Finally, this deadline has expired, with no agreement reached.

xiv. Bank of Shanghai Co., Ltd.

In May 2014, Santander acquired 8 per cent. of Bank of Shanghai Co., Ltd. for €396 million.

In June 2015, Santander subscribed to a capital increase at this company for €109 million, thereby retaining its ownership interest percentage.

In November 2016, the Bank of Shanghai shares began to trade, which meant that the closing price at December 31, 2016 included a positive valuation adjustment of €675 million compared to the cost recorded in Other Comprehensive Income – items that may be classified in results – Financials assets available for sale.

xv. Visa Europe

On June 21, 2016 Santander disposed of its VISA Europe, LTD stake, classified as available for sale, obtaining a gain net of taxes of €227 million (see Note 44 to Santander's consolidated financial statements, Gains or losses on financial assets and liabilities not measured at fair value through profit or loss, net).

xvi. Capital Increases

As of 31 December 2014, the Group's capital had increased by 1,250,994,171 shares, or 11.04 per cent. 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 per cent., 1.88 per cent., 1.78 per cent., and 1.82 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent., 1.82 per cent. and 0.82 per cent. of the share capital, respectively), giving rise to capital increases of €131,289,496.50, €128,023,459.50 and €58,929,887, respectively.

As of 31 December 2016, the Group's capital had increased by 147,848,122 shares, or 1.02 per cent. of its total capital as of 31 December 2015, to 14,582,340,701 shares as a result of the following transaction:

- *Scrip Dividend:* On November 1, 2016, the Group issued 147,848,122 shares (1.02 per cent. of the share capital) giving rise to a capital increase of €73,924,061.

Other Recent Events

Interim dividends

At its meeting of 14 October 2016, the Bank's executive committee resolved to apply the Santander Dividendo Elección scrip dividend scheme on the dates on which the final dividend is traditionally paid, whereby the shareholders were offered the option of receiving an amount equivalent to said dividend, the gross amount of which was €0.045 per share, in shares or cash.

On 4 November 2016, the Bank announced that the holders of 89.11 per cent. of the bonus share rights have chosen to receive new shares. Thus, the definitive number of ordinary shares of €0.50 of face value issued in the free-of-charge capital increase is 147,848,122, corresponding to 1.02 per cent. of the share capital, and the amount of the capital increase is €73,924,061. After the free-of-charge capital increase, the share capital amounts to €7,291,170,350.50 represented by 14,582,340,701 ordinary shares of €0.50 of face value each. The value of the compensation corresponding to the holders of bonus share rights who have requested new shares amounts to €578,825,397.63. The shareholders holding the remaining 10.89 per cent. of the bonus share rights have accepted the irrevocable commitment to purchase bonus share rights assumed by Banco Santander. Consequently, Banco Santander has acquired 1,571,705,815 rights for a total gross consideration of €70,726,761.68. Banco Santander has waived the bonus share rights so acquired.

On 1 February 2017 the Bank paid a third interim dividend out of 2016 profit, for a gross amount of €0.055 per share. The last day to trade shares with a right to collect this dividend was 27 January 2016. The ex-dividend date was 30 January 2017.

Sale of Allfunds Bank

On 7 March 2017, Santander filed an *Hecho Relevante* (Relevant Fact) with the Spanish securities market regulator pursuant to which it announced that it and the other shareholders of Allfunds Bank had reached an agreement for the sale of 100 per cent. of Allfunds Bank to funds affiliated with Hellman & Friedman, and GIC, Singapore's sovereign wealth fund. The other shareholders in Allfunds Bank are the Group's partners in Santander Asset Management, Warburg Pincus and GA, with a combined 25 per cent. and Eurizon Capital SGR, a subsidiary of Intesa Sanpaolo, with 50 per cent.

Save as disclosed, in the section "*Acquisitions, Dispositions, Reorganisations and Other Recent Events*" that have been no recent events particular to Santander CP or Banco Santander that are, to a material extent, relevant to the evaluation of Santander CP or Banco Santander's solvency.

Investments

At the date of this Information Memorandum, the Group does not have any other firm investment commitments.

Business Overview

Principal activities

As of 31 December 2016, the Group had a market capitalisation of €72.3 billion, shareholders' equity of €90.9 billion and total assets of €1,339.1 billion. The Group had €1,079.2 billion in customer funds under management (includes customer deposits, marketable debt securities and other customer funds under management) at that date. As of 31 December 2016, the Group had 57,259 employees and 4,805 branch offices in Continental Europe, 25,688 employees and 844 branches in the United Kingdom, 86,312 employees and 5,818 branches in Latin America, 17,509 employees and 768 branches in the United States and 1,724 employees in Corporate Activities.

The Group 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, Colombia, Mexico, Peru and Uruguay. In accordance with the criteria established by IFRS-EU, the structure of the Group's operating business areas has been segmented into two levels:

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

The reported segments are:

- **Continental Europe.** This covers all retail banking business 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.
- **United States.** This includes the intermediate holding company (SHUSA) and its subsidiaries: Santander Bank National Association, Banco Santander Puerto Rico, SCUSA, BSI, Santander Investment Securities Inc. and the Santander branch in New York.

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

- **Commercial 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 local asset liability committees ("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 Commercial 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 report by geographic area and by businesses, the Group continues to maintain the Corporate Centre. This incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's Assets and Liabilities Committee, as well as management of liquidity and of shareholders' equity through issues and securitisations.

As the Group's holding entity, the Corporate Centre manages all capital and reserves and allocations of capital and liquidity with the rest of businesses. It also incorporates provisions of a varied nature and amortisation of goodwill. The costs related to the Group's central services (charged to the areas) except for corporate and institutional expenses related to the Group's functioning. Finally, the Group also includes in this area significant Group non-recurring income and expense.

For purposes of the Group's financial statements, 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 is the largest business area of the Group by assets. At the end of 2016, it accounted for 37 per cent. of total managed customer funds, 38 per cent. of total loans to customers and 32 per cent. of profit attributed to the Bank's total operating areas.

The area had 4,805 branches and 57,259 employees (direct and assigned) of which 3,169 were temporary employees, at the end of 2016.

The Euro area's gross domestic product ("**GDP**") grew moderately in 2016, by approximately 1.7 per cent., below 2015 levels. Nevertheless, the area was resilient when taking into account the adverse developments occurring during the year. Although deflation risk appears to be abating, prices rose at a pace below the 2 per cent. target, spurring the ECB to reduce interest rates to new lows.

In 2016, this segment obtained profit attributable to the Bank of €2,599 million, an increase of €381 million or 17 per cent. as compared to 2015, mainly due to the decrease of €700 million in impairment on financial assets. Return on equity ("**ROE**") stood at 7.93 per cent.

Spain

The Group has a solid retail presence in Spain (2,911 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 23,017 employees (direct and assigned), all of which were hired on a full time basis.

The Spanish economy grew roughly 3.2 per cent., again underpinned by domestic demand. The labour market revived notably, reducing the unemployment rate to 19 per cent. Growth was also supported by moderate inflation, a foreign trade surplus and the improved public deficit.

In this environment, the Group made progress in its commercial transformation and in attaining its objectives. The 1|2|3 strategy is the driving force of this transformation and is enabling the Group to increase customer loyalty, boost activity and improve customers' satisfaction and their risk profile.

The NPL ratio was 5.41 per cent., a 112 basis points decrease as compared to 2015. The coverage ratio stood at 48 per cent. in 2016 and 2015.

Portugal

The Group's main Portuguese retail and investment banking operations are conducted by Santander Totta.

In December 2015, Santander became the second private bank in the country with the acquisition of most of the assets and liabilities of Banif for €150 million.

At the end of 2016, Portugal had 657 branches and 6,306 employees (direct and assigned), of which 44 employees were temporary.

The Portuguese economy has been losing momentum since the second half of 2015. GDP growth fell slightly, from 1.6 per cent. in 2015 to 1.3 per cent. (estimated) in 2016, with a constant domestic demand and a falling unemployment rate. Inflation was similar to 2015, at 0.6 per cent., thereby continuing to support growth in income.

In line with the calendar established, in October 2016, the technological and operational integration of Banif activities was completed. As a result, all branch offices are now operating under the same technological platform. This development has made the Bank's loan portfolio more balanced and allowed it to gain market share in the companies segment.

The NPL ratio increased at the end of 2016 to 8.81 per cent. as compared to 7.46 per cent. at the end of 2015 and the coverage ratio stood at 64 per cent. compared to 99 per cent. in December 2015, both ratios affected by the acquisition of Banif's portfolios.

Poland

At the end of 2016, Poland had 658 branches and 12,001 employees (direct and assigned), of which 1,910 employees were temporary.

Growth in the Polish economy slowed in 2016 (estimated 2.8 per cent. as compared to 3.9 per cent. in 2015), with inflation falling 0.6 per cent. on average in 2016, although December saw a turnaround to positive figures (0.8 per cent. year on year). The National Bank of Poland was able to hold the benchmark interest rate at 1.5 per cent. throughout the year, while the exchange rate saw a depreciation of 3 per cent. against euro.

The NPL ratio decreased 88 basis points to 5.42 per cent. and the coverage ratio decreased to 61 per cent. from 64 per cent. in 2015.

Santander Consumer Finance

The Group's consumer financing activities are conducted through its subsidiary Santander Consumer Finance and its group of companies. Most of the activity of Santander Consumer Finance 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. Santander Consumer Finance also conducts business in the UK, France, Portugal, Austria and the Netherlands, among others.

In 2016 the main European markets in which Santander Consumer Finance operates presented growth in their economies ranging from 0.9 per cent. in Italy to 3.2 per cent. in Spain.

In 2016, Santander Consumer Finance continued to focus on its business model, with strong geographic diversification, higher efficiency than its peers, and a risk control and recoveries system that allows it to maintain high credit quality. Management focus was on the following:

- Completing the agreements with Banque PSA Finance to create joint ventures in 11 countries. In 2015, the joint ventures in Spain, Portugal, United Kingdom, France and Switzerland were set up. In 2016, the Group incorporated six more countries: Italy, the Netherlands, Belgium, Germany, Austria and Poland.
- Increasing vehicle financing and consumer financing and extending agreements with the main dealers/retailers

At the end of 2016, this unit had 567 branches and 14,928 employees (direct and assigned), of which 929 employees were temporary.

The NPL ratio decreased 74 basis points to 2.68 per cent., while the coverage ratio stood at 109 per cent. in 2016.

Real Estate Operations in Spain

The segment includes loans to real-estate developers, for which a specialized management model is applied, as well as the interest in Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) and the remaining Metrovacesa assets, the assets of the previous real-estate fund and foreclosed assets. As of the end of 2014, the stake in Metrovacesa was consolidated by global integration. See "*—5.1 History and Development of the Group— 5.1.5— Metrovacesa, S.A.*".

The Group's strategy in recent years has been directed at reducing these assets, mainly loans and foreclosed assets. Net loans totalled €1,990 million, which was 29 per cent. less than in 2015 and accounted for 0.3 per cent. of the Group's loans and less than 1 per cent. of those of Santander Spain.

In 2016, this segment had €326 million of losses attributable to the Bank, a €94 million decrease in losses as compared to 2015, mainly due to the lower need for write-downs.

United Kingdom

As of 31 December 2016, the United Kingdom accounted for 28 per cent. of the total managed customer funds of the Group's operating areas. Furthermore, it accounted for 32 per cent. of total loans to customers and 21 per cent. of profit attributed to the Bank's total operating areas.

At the end of 2016, the Group had 844 branches and 25,688 employees (direct and assigned) in the UK, of which 286 employees were temporary.

The UK economy grew an estimated 2.0 per cent. in 2016. The Bank of England mitigated the impact of the uncertainty caused by the UK EU Referendum, reducing the benchmark rate by 25 basis points in August 2016 and holding it at 0.25 per cent. for the remainder of the year. The Bank of England also added a considerable quantitative easing package to support growth.

The unemployment rate continued to fall to 4.8 per cent. in October 2016, while inflation rose 1.6 per cent. in December 2016 compared with December 2015 and the pound sterling saw a 14 per cent. depreciation against the euro compared with 2015.

In 2016, Santander UK contributed €1,680 million of profit attributable to the Bank, a €291 million or 15 per cent. decrease (a decrease of 4 per cent. excluding the exchange rate impact) as compared to 2015. It was affected by the new 8 per cent. bank corporation tax surcharge. Stripping out this impact, operating profit before tax rose 8 per cent., excluding the exchange rate impact, mainly due to fee income growth, increased cost discipline and good credit performance, partially offset by pressure on interest income.

As of 31 December 2016, loans and advances to customers decreased by 11 per cent. (an increase of 4 per cent. excluding the exchange rate impact), and customer deposits decreased 9 per cent. (an increase of 7 per cent. excluding the exchange rate impact). The NPL ratio decreased 11 basis points to 1.41 per cent. and the coverage ratio decreased to 33 per cent. from 38 per cent. in 2015. The ROE was 10.25 per cent.

Latin America

As of 31 December 2016, the Group had 5,818 branches and 86,312 employees (direct and assigned) in Latin America, of which 1,400 were temporary employees. As of that date, Latin America accounted for 26 per cent. of the total managed customer funds, 19 per cent. of total loans to customers and 42 per cent. of profit attributed to the Bank's total operating areas.

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

Subsidiary	Percentage held at 31 December 2016
Banco Santander (Brasil), S.A.	89.38
Banco Santander Chile	67.12
Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	75.05
Banco Santander de Negocios Colombia S.A.	100.00
Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Perú, S.A.	100.00
Banco Santander Río, S.A. (Argentina)	99.30

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

The Group's significant position in Latin America is attributable to its financial strength, high degree of diversification (by countries, businesses, products, etc.) and the breadth and depth of its franchise. The Group has the region's largest international franchise.

Overall GDP in Latin America fell for the second year in a row, as trends were highly varied across the different countries in terms of GDP, interest rates and markets. However, the Group believes that the shift in economic policy in Argentina and Brazil and, in general, progress toward adjusting inflation and the foreign deficit have allowed the region to lay the groundwork for recovery.

In general, the environment was not favourable for the business, primarily due to the across-the-board devaluation of currencies and, in particular, shrinking of Brazil's GDP.

Profit attributable to the Bank from Latin America in 2016 was €3,386 million, a €193 million or 6 per cent. increase as compared to 2015 (an increase of 19 per cent. excluding the exchange rate impact). Total income increased by €9 million. Excluding the exchange rate impact total income increased by €1,731 million driven

mainly by net interest income, fees and commissions and Gains/losses on financial assets and liabilities. Administrative expenses and depreciation and amortisation decreased by €214 million or 3 per cent.; however, excluding the exchange rate impact they grew 8 per cent. as a result of salary agreements, dollar indexed expenses and investment. Growth was moderate excluding the inflation and the exchange rates impacts.

As of 31 December 2016, loans and advances to customers increased by 14 per cent., however, excluding the exchange rate impact they increased by 4 per cent. Customer deposits increased by 17 per cent. as compared to 2015; nevertheless, excluding the exchange rate impact customer deposits increased by 7 per cent. The NPL ratio stood at 4.81 per cent. and the coverage ratio at 87 per cent. at 31 December 2016. The ROE was 15.02 per cent.

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

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 3,431 branches and points of banking attention, 46,728 employees (direct and assigned), all of which were hired on a full time basis.

In 2016, the Brazilian economy completed its second consecutive year of recession. Nevertheless, the inflation (6.3 per cent. at the 2016-year end) did not exceed the upper target limit (6.5 per cent.). Forecast inflation for 2017 and 2018 should be closer to the central bank's 4.5 per cent. target, which has allowed the benchmark interest rate of 14.25 per cent. to slip to 13.75 per cent. toward the end of the year. This points to a downward trend, which began in January 2017 with a new 75 basis points cut placing the benchmark rate at 13 per cent.

The exchange rate rallied considerably during the year, closing 2016 at €1 equalling 3.43 Brazilian Real (BRL), as compared to BRL 4.31 in 2015.

In this difficult political and economic environment, Santander Brazil continued its transformation process, while growing customers and results.

At 31 December 2016, the NPL ratio was 5.90 per cent. as compared to 5.98 per cent. one year earlier while the coverage ratio stood at 93 per cent.

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 2016, it had 1,389 branches throughout the country, 17,608 employees (direct and assigned), of which 1,223 were temporary.

In an effort to increase customer loyalty, the Bank developed various measures among which was a three-year €15,000 million investment plan announced in December 2016 to continue improving the franchise and the Group's systems.

The Mexican economy slowed somewhat in 2016 (estimated 2.3 per cent. as compared to 2.6 per cent. in 2015), due to a challenging external environment, which spurred adjustments to fiscal policy and a tightening of monetary policy. Furthermore, the depreciation of the exchange rate led the Bank of Mexico to raise its benchmark rate from 3.25 per cent. to 5.75 per cent. during 2016. Inflation climbed from 2.1 per cent. to 3.3 per cent., while unemployment stayed stagnant at an average of 3.8 per cent. for the year. The peso depreciated 13 per cent. against the dollar to 21.8 Mexican pesos, impacted by oil prices in the first few months of the year and the heightened uncertainties of possible changes in the trade and migration policies of the U.S. in the latter part of 2016.

At 31 December 2016, the NPL ratio decreased by 62 basis points to 2.76 per cent. while the coverage ratio was 104 per cent.

Chile

Banco Santander Chile is the leading bank in Chile in terms of assets, with a particular focus on retail activity (individuals and SMEs). As of 31 December 2016, Banco Santander Chile had 435 branches and 11,999 employees (direct and assigned), all of which were hired on a full time basis.

The Chilean economy saw less buoyant GDP growth in 2016 (estimated 1.6 per cent. as compared to 2.3 per cent. in 2015), with inflation falling to 3 per cent. and unemployment at 6.5 per cent. The slowdown in growth was primarily due to the international context and the mining industry's adaptation to a more moderate price environment.

The year-end exchange rate was 708 Chilean pesos equals €1, for an appreciation of 9 per cent. during the year. At 31 December 2016, the Central Bank of Chile's benchmark rate stood at 3.5 per cent., at the same level as at the 2015 close.

At 31 December 2016, the NPL ratio decreased by 57 basis points to 5.05 per cent. while the coverage ratio was 59 per cent.

Argentina

Banco Santander Río, S.A. (Argentina) is the country's leading private sector bank in terms of assets and loans. At 31 December 2016, the Group had 453 branches and 7,940 employees in Argentina, of which 151 were temporary.

In 2016, Argentina responded firmly to the macroeconomic imbalances and the microeconomic distortions, by shoring up its institutional framework. Adjustment measures led to a 2 per cent. contraction in GDP, although at the same time laid the groundwork for controlling inflation and public deficit, in order to return to a path of growth.

The benchmark interest rate fell from 33 per cent. to 24.5 per cent., while the Argentinean peso depreciated strongly against the euro.

The Group's strategy in 2016 continued to centre on growing customer business, paying particular attention to loyalty and profitability.

Uruguay

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. Overall, the Group had 108 branches and 1,761 employees, of which 26 were temporary.

The economy grew 0.5 per cent. (1.0 per cent. in 2015) and inflation was 9.2 per cent. (9.4 per cent. in 2015), above the official target of between 3 per cent. and 7 per cent. The peso ended 2016 at 30.6 Uruguayan pesos per euro, an appreciation of 6 per cent.

In 2016, lending rose in target segments and products (SMEs and consumer business) as well as consumer credit.

Peru

As of 31 December 2016, Banco Santander Perú, S.A. had 1 branch and 161 employees. The unit's activity is focused on corporate banking and the country's big companies, as well as continuing to provide services to the Group's global customers.

An auto finance company continued to consolidate its activity in Peru. This company has a specialized business model, centred on service and with market shares that enable customers to acquire a new vehicle via most of the brands and dealerships in the country.

GDP growth slowed to 3.9 per cent., domestic demand dropped sharply, inflation stood at around 3.4 per cent. and the currency depreciated 6 per cent. against the euro. Public debt stood at 23 per cent. of GDP, one of the lowest in the region, and the country's reserves totalled \$61 billion (more than 30 per cent. of GDP). The system's loans and deposits grew 4 per cent. and 2 per cent., respectively.

Colombia

The operation in Colombia focuses on growing business with Latin American companies, multinational companies, international desk and big and medium-sized local companies, contributing treasury solutions, risk hedging, foreign trade, financing working capital and confirming, as well as developing investment banking and capital market products.

United States

At the end of 2016, the Group had 768 branches and 17,509 employees (direct and assigned), none of them temporary.

The U.S. economy grew an estimated 1.6 per cent. in 2016, partly due to the slow growth at the start of the year. This did not prevent, however, the unemployment rate falling to 4.7 per cent., a level regarded as almost full employment, and core inflation of 1.8 per cent. The outcome of the U.S. election helped to strengthen the dollar to €1/\$1.05 (\$1.09 at the end of 2015) and spurred the markets.

In this context, in which the economy was already showing some strengthening, the Federal Reserve raised its key rate in December to 0.75 per cent. from 0.50 per cent. and pointed to gradual hikes in 2017.

The U.S. segment includes the intermediate holding company (IHC) and its subsidiaries: Santander Bank National Association, Banco Santander Puerto Rico, SCUSA, BSI, Santander Investment Securities Inc. and the Santander branch in New York.

Santander U.S. is focused on a series of strategic priorities aimed at improving the profitability of Santander, optimizing the vehicle financing business and expanding the GCB business with U.S.-based customers, maximizing the interconnectivity offered by being part of a global group.

Santander U.S. continued to progress in 2016 in complying with its regulatory obligations. The creation of the holding was completed, unifying the main units in the country under the same management and governance structure in order to manage risk more effectively.

The U.S. segment accounted for 9 per cent. of the total managed customer funds, 11 per cent. of total loans to customers and 5 per cent. of profit attributed to the Bank's total operating areas.

Profit attributable to the Bank from U.S. in 2016 was €395 million, a €283 million or 42 per cent. decrease as compared to 2015. Significant investments were made in technology to enhance customer experience and improve risk management and capital planning in order to comply with regulatory obligations, causing costs to remain high. Santander also repurchased costly liabilities, which had a negative impact on gains on financial transactions. SCUSA shifted its business towards a lower risk profile (with a negative impact on revenues). Administrative expenses and depreciation and amortization increased by €172 million or 6 per cent. in 2016 compared to 2015 with certain non-recurring assets. These factors and an increase in provisions, partly due to those made in the first quarter for oil and gas related business, produced a 42 per cent. fall in the attributable profit. The results were not affected significantly by the impact of exchange rates.

As of 31 December 2016, loans and advances to customers increased by 1 per cent. (a decrease of 2 per cent. excluding the exchange rate impact), and customer deposits increased 7 per cent. (an increase of 4 per cent. excluding the exchange rate impact).

For 2016, ROE was 2.92 per cent. and the NPL ratio increased 7 per cent. to 2.28 per cent. The coverage ratio stood at 214 per cent. at year-end.

Second or business level:

Commercial Banking

Commercial Banking's profit attributable to the Bank in 2016 decreased by €557 million or 8 per cent. to €6,297 million. The sharp rise in the tax charge left attributable profit virtually unchanged in constant euros. The income statement was characterized by the spur of net interest income, good performance of fee income in almost all units, discipline in costs and lower loan-loss provisions.

In 2016, Commercial Banking generated 87 per cent. of the operating areas' total income and 78 per cent. of profit attributable to the Parent bank. This segment had 178,253 employees as of 31 December 2016.

In 2016 Santander continued to make progress with its program for transforming commercial banking focusing on (i) customer loyalty and satisfaction, (ii) digital transformation of the Group's channels, products and services and (iii) operational excellence of the Group's processes.

In order to improve customer loyalty and satisfaction continuously, the following measures were adopted in 2016, among others:

- The 1|2|3 strategy in Spain, Portugal and the United Kingdom which continued the good pace of opening accounts.
- Consolidation of value propositions for individual customers in Mexico and Chile.
- A pioneer digital platform launched in Mexico, which integrates a fully digital offer of banking services and financial education; a financial app that Germany offers its customers to manage their savings and the investment centre launched by Santander UK which enables customers to manage their investments online.
- The launch of the Select Global Value offer, which complements the local offer with non-financial services and makes available to customers a homogeneous and exclusive service in all countries where the Group operates.
- The continuous evolution of plans for SMEs in all countries.

In order to create a simpler bank for its customers, the Group continued to foster the digital transformation and multi channels:

- Santander Mexico already has 1.3 million digital customers. SuperMóvil enables them to access all services from any mobile device and with the same password.
- In Brazil, more than 6 million customers already access the Group's channels through biometric identification. Of note was the launch of the new commercial model for the consumer finance segment.
- In Spain, Santander Personal was launched as a specialized and personalized attention channel, while in Poland the Group launched the new online bank with a Customer Attention section that allows personal attention.
- Various payment solutions were launched such as, in Spain, the Wallet app that allows payments to be made from a mobile phone in any establishment, the contactless wristband for payments, the Apple Pay service and Bizum which allows direct P2P payments; or in Brazil the Santander Way app which provides card users with speed, control and security.
- Progress was also made in transforming branches under the Smart Red program. Spain, Brazil, Mexico, the United Kingdom and Argentina have already inaugurated new branch models, Portugal already has specialized spaces for companies and Chile inaugurated the first WorkCafé, a novel branch format where customers can take advantage of their visits to use the co-working zone. New ATMs, which enable customers to carry out basic operations simply and agilely, also continued to be installed at a good pace.
- The NEO CRMs were consolidated as the reference CRM tool in the market, with new improvements in Santander Río, Poland, Mexico and the United Kingdom.

The satisfaction and experience of the Group's customers is one of the Group's priorities, which is why the Group continues to work on improving operational excellence, with new processes that are simpler, more efficient and omnichannel, developed with Agile methodology, and also on improving the quality of service.

Santander Global Corporate Banking

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

Global Corporate Banking generated 13 per cent. of total income and 26 per cent. of the profit attributable to the Bank in 2016. This segment had 8,032 employees as of 31 December 2016.

Profit attributable to the Bank in 2016 was €2,089 million, an increase of €463 million or 28 per cent. as compared to 2015. Total income increased 10 per cent. in 2016 compared 2015, with growth in all products. Excluding the

exchange rate impact, Global Transaction Banking increased 13 per cent. against a backdrop of containment of spreads and low interest rates, Financing Solutions and Advisory 1 per cent., reflecting the soundness of the various businesses, and Global Markets 21 per cent. (good performance in Europe and particularly the Americas).

Administrative expenses and depreciation and amortisation decreased by €107 million or 5 per cent. due to the efficiency plans implemented, particularly in Spain and the United States and Impairment on financial assets decreased by €28 million or 4 per cent. (flat excluding the exchange rate impact).

Global Corporate Banking has three major areas:

- **Global Transaction Banking** (which includes cash management, trade finance and basic financing and custody),
- **Financing Solutions and Advisory** (which includes the units that originate and distribute corporate loans or structured financing, the teams that originate bonds and securitisation, the corporate finance units (mergers and acquisitions, primary equity markets, investment solutions for corporate clients via derivatives), as well as asset and capital structuring) and
- **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).

The main lines of action were:

- Progress in changing the Group's model toward a business lighter in capital, with the creation of an area solely dedicated to optimization of assets and capital in order to strengthen the division's distribution capacity.
- Creation of an innovation area to drive new solutions and meet the challenge of new non-banking players. The Group is involved in various blockchain technology projects to position it in the financial sector's transformations that this technology could introduce. In GTB receivables, big-data is used for risk scoring of companies based on information sources available in the market.
- Strengthening the Group's leadership position in Latin America, where the Group is the leader in export finance, debt capital markets (DCM), equity capital markets (ECM), mergers and acquisitions (M&A) and project finance.
- Progress in facilitating the international connectivity of retail and commercial banking customers.

Real Estate Operations in Spain

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

Corporate Centre

The Corporate Centre had Losses attributable to the Bank of €1,856 million in 2016, as compared to losses of €2,093 million in 2015.

Total income was lower due to decreased gains on centralized management of certain risks (primarily exchange rate risk and interest rate risk). Administrative expenses and depreciation and amortisation decreased by 33 per cent., due to the restructuring carried out in the second quarter of the year and the ongoing corporate simplification process launched in 2015. At the end of 2016 this area had 1,724 employees.

The Group subsidiaries' model is complemented by a Corporate Centre that has support and control units which carry out functions for the Group in matters of risk, auditing, technology, human resources, legal affairs, communication and marketing, among others.

The Corporate Centre contributes value to the Group in various ways:

- It makes the Group's governance more solid, through frameworks of control and global supervision, and taking strategic decisions.
- It makes the Group's units more efficient, fostering the exchange of best practices in management of costs and economies of scale. This enables the Group to be among the most efficient in the sector.
- By sharing best commercial practices, launching global commercial initiatives and driving digitalization, the Corporate Centre contributes to the Group's revenue growth.

It also develops functions related to financial management and capital.

The financial management functions are: (i) Structural management of liquidity risk associated with funding the Group's recurring activity, stakes of a financial nature and management of net liquidity related to the needs of some business units. This activity is carried out through diversifying the various sources of funding (issues and others), always maintaining an adequate profile (volumes, maturities and costs). The price at which these operations are conducted with other units of the Group is the market rate (EURIBOR or swap) plus the premium which, in concept of liquidity, the Group supports by immobilizing funds during the term of the operation; (ii) interest rate risk is also actively managed in order to soften the impact of interest rate changes on net interest income, conducted via derivatives of high quality, high liquidity and low consumption of capital; and (iii) strategic management of the exposure to exchange rates.

Lastly, and marginally, the Corporate Centre reflects the stakes of a financial nature that the Group makes under its policy of optimizing investments.

An indication of any significant new products and/or activities

Policies

As a result of the transformation of the compliance function into its new target operating model ("**TOM**"), the former reputational risk management office was renamed as the product governance and consumer protection office. Its responsibilities were extended to bolster the adequate control and oversight of product and service marketing risks, to foster transparency and a simple, personal and fair approach to customers in order to protect their rights, and to ensure that policies and procedures take the consumers' perspective into account. For this purpose, the functions listed below were established, based on two corporate frameworks and a set of policies that define the basic principles and rules of action in this area:

Frameworks:

- *Corporate marketing framework:* a uniform system for the marketing of products and services, aimed at minimising exposure to the risks and possible claims arising in all phases of the marketing process (validation, pre-sale, sale, monitoring).
- *Claims management framework:* a uniform system for the systematised management of the recording, control, management and analysis of the causes of claims, based on their various types; this makes it possible to identify the reasons for customer dissatisfaction, to provide suitable solutions for each case and to improve, where appropriate, the processes that gave rise to the claims.

Functions:

- To promote the adherence of the units to the above-mentioned corporate frameworks.
- To facilitate the functions of the corporate marketing committee by guaranteeing the proper validation, prior to its launch, of any new product or service proposed by any Group subsidiary or by the Bank.
- To safeguard the internal protection of consumers, with the aim of improving their relationships with the Group, by effectively promoting their rights and providing solutions to possible disputes, in accordance with best practices through any channel, as well as by fostering consumers' financial knowledge. All these efforts are geared towards building lasting relationships with customers.

- To identify, analyse and control the fiduciary risk generated by the private banking, asset management and insurance businesses and the outsourced custody services for customers' financial instruments. Fiduciary risk is considered to be that arising from the management of financial instruments on behalf of customers.
- To compile, analyse, and report to the Group's governance bodies, the information required to conduct a proper analysis of product and service marketing risk and of claims risk, from a two-fold perspective: the possible impact on customers and on the Group, as well as on the monitoring of products and services throughout their life-cycle.
- To supervise the marketing and claims management processes in place at the subsidiaries, making proposals for improvements and monitoring the mitigating actions taken for the risks detected.

Principal markets

The primary level of segmentation, which is based on the Group's management structure, comprises five segments: four operating areas plus the Corporate Centre. The operating areas, which include all the business activities carried on therein by the Group, are: Continental Europe, the United Kingdom, Latin America and the United States, based on the location of the Group's assets.

The Continental Europe area encompasses all the business activities carried on in the region.

The United Kingdom area includes the business activities carried on by the various Group units and branches with a presence in the UK.

The Latin America area includes all the financial activities carried on by the Group through its banks and subsidiaries in the region.

The United States area includes the holding company SHUSA and the businesses of Santander Bank, SCUSA, Banco Santander Puerto Rico, BSI's specialised unit and the New York branch.

The Corporate Centre segment includes the centralised management business relating to financial investments, financial management of the structural currency position, within the remit of the Group's corporate asset and liability management committee, and management of liquidity and equity through issues.

The financial information of each operating segments is prepared by aggregating the figures for the Group's various business units. The basic information used for segment reporting comprises the accounting data of the legal units composing each segment and the data available in the management information systems. All segment financial statements have been prepared on a basis consistent with the accounting policies used by the Group.

Consequently, the sum of the various segment income statements is equal to the consolidated income statement. With regard to the balance sheet, due to the required segregation of the various business units (included in a single consolidated balance sheet), the amounts lent and borrowed between the units are shown as increases in the assets and liabilities of each business.

There are no customers located in areas other than those in which the Group's assets are located that generate income exceeding 10 per cent. of total income.

Organisational Structure

Banco Santander is the parent company of the Group which was comprised at 31 December 2016 of 715 companies that consolidate by the global integration method. In addition, there were 183 companies that were accounted for by the equity method.

Banco Santander is not dependent upon any other entity within the Group.

Trend Information

The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as other major banks look to increase their market share, combine

complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Group expects will increase the overall level of regulation in the markets.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Group or that would cause the disclosed financial information not to be indicative of its future operating results or the Group's financial condition:

Economic and Industry Conditions

- general economic or industry conditions in Spain, the UK, other European countries, the U.S., Brazil, other Latin American countries and the other areas in which the Group's has significant business activities or investments;
- exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk;
- a worsening of the economic environment in Spain, the UK, other European countries, Brazil, other Latin American countries, and the U.S., and an increase of the volatility in the capital markets;
- the effects of a continued decline in real estate prices, particularly in Spain and the UK;
- monetary and interest rate policies of the ECB and various central banks;
- inflation or deflation;
- the effects of non-linear market behaviour that cannot be captured by linear statistical models, such as the VaR model the Group uses;
- changes in competition and pricing environments;
- the inability to hedge some risks economically;
- the adequacy of loss reserves;
- acquisitions or restructurings of businesses that may not perform in accordance with the Group's expectations;
- changes in demographics, consumer spending, investment or saving habits;
- potential losses associated with prepayment of the Group's loan and investment portfolio, declines in the value of collateral securing its loan portfolio, and counterparty risk; and
- changes in competition and pricing environments as a result of the progressive adoption of the internet for conducting financial services and/or other factors;

Political and Governmental Factors

- political stability in Spain, the UK, other European countries, Latin America and the U.S.;
- changes in Spanish, UK, EU, Latin American, U.S. or other jurisdictions' laws, regulations or taxes, including changes in regulatory capital and liquidity requirements; and
- increased regulation in light of the global financial crisis;

Transaction and Commercial Factors

- damage to the Group's reputation;

- the Group's ability to integrate successfully its acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while the Group integrates these acquisitions; and
- outcome of the Group's negotiations with business partners and governments; and

Operating Factors

- potential losses associated with an increase in the level of non-performance by counterparties to other types of financial instruments;
- technical difficulties and/or failure to improve or upgrade the Group's information technology;
- changes in the Group's ability to access liquidity and funding on acceptable terms, including as a result of changes in its credit spreads or a downgrade in its credit ratings or those of the Group's more significant subsidiaries;
- the Group's exposure to operational losses (for example, failed internal or external processes, people and systems);
- changes in the Group's ability to recruit, retain and develop appropriate senior management and skilled personnel;
- the occurrence of force majeure, such as natural disasters, that impact the Group's operations or impair the asset quality of the Group's loan portfolio; and
- the impact of changes in the composition of the Group's balance sheet on future net interest income.

Profit Forecasts or Estimates

Not applicable. Banco Santander has not included a profit forecast or profit estimate in this Information Memorandum.

Administrative, Management and Supervisory Bodies

The bylaws of Banco Santander (Article 41) provide that the maximum number of directors is 22 and the minimum number 14.

The board of directors of Banco Santander is presently made up of 15 directors.

The following table displays the composition, position and structure of the board of directors and its committees.

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

<i>Board of directors</i>	Executive committee	Audit committee	Appointments committee	Remuneration committee	Risk supervision, regulation and compliance committee	International committee	Innovation and technology committee	Executive	Non-executive	Date of first appointment	Date of re-election
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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										25.11.2014	07.04.2017
Vice-chairman Mr. Bruce Carnegie-Brown			C	C	C				I	25.11.2014	18.03.2016
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:											
Ms. Homaira Akbari									I	27.09.2016	-
Mr. Ignacio Benjumea Cabeza de									E	30.06.2015	-
Mr. Javier Botín-Sanz de Sautuola y O'Shea ⁽¹⁾									P	25.07.2004	18.06.2005 11.06.2010 22.03.2013 18.03.2016
Ms. Sol Daurella Comadrán(2)									I	25.11.2014	18.03.2016
Mr. Carlos Fernández González									I	25.11.2014	27.03.2015
Ms. Esther Giménez-Salinas i Colomer									I	30.03.2012	28.03.2014 07.04.2017
Ms. Belén Romana García		C							I	22.12.2015	07.04.2017
Ms. Isabel Tocino Biscarolasaga									I	26.03.2007	11.06.2010 22.03.2013 18.03.2016

Mr. Juan Miguel Villar Mir ⁽²⁾								I	07.05.2013	27.03.2015
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General secretary and secretary of the board:

Mr. Jaime Pérez Renovales ⁽³⁾									01.09.2015	-
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C: Chairman of the committee P: Proprietary I: Independent E: External, neither proprietary nor independent

Notes:

- (1) Non-executive proprietary director. See detailed information in sections C.1.3 and H of the 2016 annual corporate governance report.
- (2) The Group holds risk positions with companies in which the independent director is or has been significant shareholder or director, through various instruments, such as syndicated loans, long-term bilateral loans, bilateral loans for the financing of working capital, leases or guarantee lines.

In the assessment of this director's suitability to perform the duties of independent director, the appointments committee first, and the board of directors subsequently, took into consideration the existence of the financing by the Group for the benefit of companies where he/she is or was significant shareholder or director and with support concluded that such financing did not constitute a significant business relationship (as defined in Article 529.duodecies.4.e) of the Spanish Companies Law) for the purpose of this director's classification as independent. Specifically, among the reasons considered by the appointments committee and the board there was that no situation of financial dependence had been created in the respective companies owing to the replaceability of such financing with other sources of bank or non-bank financing, that the business relationship of said companies with Group was in line with the market share of the Group in the relevant market (which implies that such business relationships are those which would be ordinarily expected for an entity with one of the leaders of the markets in which such entity operates) and that certain established materiality levels were not triggered (e.g. the 2 per cent. and 5 per cent. of income relative to gross revenues figures set as independence materiality thresholds by the applicable NYSE and Nasdaq regulations; or the indebtedness in excess of 25 per cent. of assets figure that is defined as "significant borrowing" under Canada's Bank Act in order to preclude independence). Spanish regulations do not provide for any specific materiality tests. In addition, the independence status of the director has been confirmed by the relevant supervisory authorities.

At its meeting of 12 February 2016, the board adopted a proposal put forward by the appointments committee at its meeting of 11 February 2016 on the classification of the Bank's directors, whereby the independent directors may continue to be treated as such as they satisfy the requirements of Article 529 duodecies.4 of the Spanish Companies Law.

- (3) Not director.

Principal Activities Outside Banco Santander

The current directors of Banco Santander 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. Bruce Carnegie-Brown	Moneysupermarket.com Group PLC	Non-executive chairman
	Jardine Lloyd Thompson Group PLC	Non-executive director
Mr. Matías Rodríguez Inciarte	Financiera Ponferrada, S.A., SICAV (FIPONSA)	Non-executive director
Mr. Guillermo de la Dehesa Romero	Amadeus IT Holding, S.A.	Non-executive vice chairman
Mr. Rodrigo Echenique Gordillo	Industria de Diseño Textil, S.A. (Inditex)	Non-executive director
Ms. Homaira Akbari	Veolia Environment, S.A.	Non-executive director
	Landstar System, Inc.	Non-executive director
	Gemalto N.V.	Non-executive director

Name or corporate name of director	Name of listed company	Position
Ms. Sol Daurella Comadrán	Coca-Cola European Partners, plc	Non-executive chairman
Mr. Carlos Fernández González	Inmobiliaria Colonial, S.A.	Non-executive director
	AmRest Holdings SE	Non-executive director
	ENCE Energía y Celulosa, S.A.	Non-executive director
Ms. Isabel Tocino Biscarolasaga	Enagás, S.A.	Non-executive director
	Naturhouse Health, S.A.	Non-executive director
Ms. Belén Romana García	Aviva plc	Non-executive director

Administrative, management, and supervisory bodies conflicts of interests

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

With regard to situations of conflict of interest, as stipulated in Article 30 of the regulations of the board (the "**Regulations of the Board**"), the directors must notify the board of any direct or indirect conflict with the interests of the Bank in which they may be involved. If the conflict arises from a transaction, the director shall not be allowed to conduct it unless the board, following a report from the appointments committee, approves such transaction.

The director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers, and the body responsible for resolving conflicts of interest is the board of directors itself.

In 2016, there were 95 occasions in which directors abstained from participating in discussions and voting on matters at the meetings of the board of directors or of its committees.

The breakdown of the 95 cases is as follows: on 28 occasions the abstention was due to proposals to appoint, re-elect or withdraw directors, and to appoint members of board committees or other committees at Group or related companies; on 51 occasions the matter under consideration related to remuneration or granting loans or credits; on nine occasions the matter concerned the discussion of financing or investment proposals or other risk transactions in favour of companies related to any director; on five occasions the abstention concerned the annual verification of the status of directors carried out by the appointments committee, pursuant to Article 6.3 of the Regulations of the Board; and on two occasions the abstention concerned the approval of a related-party transaction.

Board Practices

The audit committee was created primarily in order to evaluate the systems in place for information control and accounts oversight, to safeguard the independence of the financial auditor and to review the control and compliance systems of Banco Santander and the Group whilst reporting to the board of directors on its conduct and findings of these matters.

The committee is composed of no less than three and no more than seven members. As of the date of this Information Memorandum there are four members: Mr. Carlos Fernández González, Ms. Isabel Tocino Biscarolasaga, Mr. Juan Miguel Villar Mir, and its chairman Ms. Belén Romana García; the secretary (not a member) is Mr. Jaime Pérez Renovales. Members of the audit committee are selected by the board with reference to their knowledge, aptitude and experience in accounting, auditing and risk management matters. All the current members of the audit committee are external and independent. The audit committee must be chaired by an independent member of the board who must have knowledge and experience in accounting, auditing and risk management. Since 26 April 2016, the audit committee is chaired by Ms. Belén Romana García, while Mr. Juan Miguel Villar-Mir, the previous chairman, remains as a member of such committee.

Banco Santander complies with the Spanish corporate governance regime. Banco Santander has included in its 2016 annual corporate governance report, which can be found on the website of the CNMV (www.cnmv.es), a detailed explanation of its compliance with the various recommendations on corporate governance.

Major Shareholders

As of 31 December 2016, 1.20 per cent. of the Bank's share capital was held by members of the board of directors.

The Bank is not aware of any person which exerts or may exert control over the Bank within the terms of Article 5 of the consolidated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley de Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) as amended (the "**Spanish Securities Market Law**").

Banco Santander 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 Banco Santander.

Financial statements

Banco Santander prepares audited non-consolidated under Spanish Generally Accepted Accounting Principles (GAAP) and consolidated annual financial statements under the IFRS-EU. The English translations of the audited consolidated annual financial statements for the years ended 31 December 2016 and 2015 are incorporated by reference under paragraph 1 of "*Documents Incorporated by Reference*".

The non-consolidated and consolidated annual financial statements of Banco Santander for the 2015 financial year were audited by the independent audit firm Deloitte, S.L. There are no qualifications of the auditors in relation to the non-consolidated and consolidated annual financial statements of Banco Santander for the 2015 financial year.

The non-consolidated and consolidated annual financial statements of Banco Santander for the 2016 financial year were audited by the independent audit firm PricewaterhouseCoopers Auditores, S.L. There are no qualifications of the auditors in relation to the non-consolidated and consolidated annual financial statements of Banco Santander for the 2016 financial year.

The audited non-consolidated and consolidated financial statements of Banco Santander for each of the years ended 31 December 2016 and 31 December 2015 have been filed with the CNMV.

No other information relating to Banco Santander included in this Information Memorandum has been audited by Deloitte, S.L. or PricewaterhouseCoopers Auditores, S.L.

Save for the information deriving from the balance sheet and income statements of the Group, the geographical segments (first level) (comprising Continental Europe, United Kingdom, Latin America and United States) and the business segments (secondary level) and the information on the NPL ratios and coverage ratios, which have been obtained from the notes of the audited consolidated financial statements of Banco Santander for the years ended 31 December 2015 and 2016, the information contained in the sections "*Business Overview*" and "*Alternative Performance Measures*" of "*Description of the Group*" is not audited and was obtained from the internal accounting records or from the management financial information of Banco Santander.

The date of the most recent annual consolidated audited financial information of Banco Santander is 31 December 2016.

Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Banco Santander is aware) which may have, or have had in the previous twelve months, significant effects on Banco Santander and/or the Group's financial position or profitability.

The following is a summary of certain legal proceedings affecting the Group. Banco Santander believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these and other legal proceedings and believes that liabilities related to such proceedings should not have a significant effect on Banco Santander and/or the Group's financial position or profitability.

Banco Santander's general policy is to record provisions for tax and legal proceedings in which it assesses the chances of loss to be probable and it does not record provisions when the chances of loss are possible or remote. Banco Santander determines, on a case by case basis, amounts to be provided as its best estimate of the expenditure

required to settle the corresponding claim based, among others, based on the analysis and legal opinion of internal and external counsel or by considering the historical average amount of loss of such category of lawsuits.

Wherever possible the proceedings listed below are quantified. However, in view of the inherent difficulty of predicting the outcome of contentious matters the Bank is unable sometimes to quantify the potential loss or practical consequences if a judgment were ordered against it and accordingly no specific amount is attributed to such claims.

Tax-related proceedings

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

- Legal actions filed by Santander Brazil and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9 per cent. to 15 per cent. stipulated by Interim Measure 413/2008, ratified by Law 11727/2008, a provision having been recognised for the amount of the estimated loss.
- Legal actions filed by certain Group companies in Brazil claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8 per cent. and 10 per cent. from 1994 to 1998. No provision was recognised in connection with the amount considered to be a contingent liability.
- Legal actions filed by Banco Santander, S.A. (currently Santander Brazil) and other Group entities claiming their right to pay the Brazilian Programa de Integração Social ("**PIS**") and Contribuição para o Financiamento da Seguridade Social ("**COFINS**") social contributions only on the income from the provision of services. In the case of Santander Brazil, the legal action was declared unwarranted and an appeal was filed at the Federal Regional Court. In September 2007 the Federal Regional Court found in favour of Santander Brazil, 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 declaração**") 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 Santander Brazil), in March 2007 the court found in its favour, but the Brazilian authorities appealed against the judgment at the Federal Regional Court, which handed down a decision partly upholding the appeal in September 2009. Santander Brazil 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 Santander Brazil 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 recognised, still subsist.
- Santander Brazil 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, as defined below) on the ground that the relevant requirements under the applicable legislation were not met. No provision was recognised in connection with the amount considered to be a contingent liability.
- Santander Brazil 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 recognised in connection with the amount considered to be a contingent liability.

- In addition, Santander Brazil 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. A provision was recognised in connection with the amount of the estimated loss.
- In December 2008 the Brazilian tax authorities issued an infringement notice against Santander Brazil in relation to income tax Imposto de Renda de Pessoa Jurídica ("**IRPJ**") and Contribuição Social sobre o Lucro Líquido das Pessoas Jurídicas ("**CSLL**") for 2002 to 2004. The tax authorities took the view that Santander Brazil did not meet the necessary legal requirements to be able to deduct the goodwill arising on the acquisition of Banespa (currently Santander Brazil). Santander Brazil 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. Santander Brazil 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 amortisation of the goodwill. Santander Brazil appealed against this infringement notice and the court found in its favour. 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 defence arguments to appeal against the infringement notices. Accordingly, the risk of incurring a loss is remote. Consequently, no provisions were recognised in connection with these proceedings because this matter should not affect the consolidated financial statements.
- In May 2003 the Brazilian tax authorities issued separate infringement notices against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. ("**DTVM**") (currently Produban Serviços de Informática S.A.) and Santander Brazil 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 Santander Brazil 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 favourable decision and Santander Brazil an unfavourable decision. Both decisions were appealed by the losing parties at the High Chamber of CARF, and unfavourable decisions were obtained by Santander Brazil and DTVM on 12 and 19 June 2015, respectively. Both cases were appealed at court in a single proceeding and a provision was recognised 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), Santander Brazil is liable in the event of any adverse outcome of this proceeding. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- In June 2013, the Brazilian tax authorities issued an infringement notice against Santander Brazil as the party liable for tax on the capital gain allegedly obtained in Brazil by the entity not resident in Brazil, Sterrebeeck B.V., as a result of the "incorporação de ações" (merger of shares) transaction carried out in August 2008. As a result of the aforementioned transaction, Santander Brazil acquired all of the shares of Banco ABN AMRO Real, S.A. and ABN AMRO Brasil dois Participações, S.A. through the delivery to these entities' shareholders of newly issued shares of Santander Brazil, issued in a capital increase carried out for that purpose. The Brazilian tax authorities take the view that in the aforementioned transaction Sterrebeeck B.V. obtained income subject to tax in Brazil consisting of the difference between the issue value of the shares of Santander Brazil that were received and the acquisition cost of the shares delivered in the exchange. In December 2014, the Group appealed against the infringement notice at CARF after the appeal for reconsideration lodged at the Federal Tax Office was dismissed. Based on the advice of its external legal counsel, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defence arguments to appeal against the infringement notice.

Accordingly, the risk of incurring a loss is remote. Consequently, the Group has not recognised any provisions in connection with these proceedings because this matter should not affect the consolidated financial statements.

- In November 2014 the Brazilian tax authorities issued an infringement notice against Santander Brazil in relation to income tax (IRPJ and CSLL) for 2009 questioning the tax-deductibility of the amortisation of the goodwill of Banco ABN AMRO Real S.A. performed prior to the absorption of this bank by Santander Brazil, but accepting the amortisation performed after the merger. On the advice of its external legal counsel, Santander Brazil lodged an appeal against this decision at the Federal Tax Office and obtained a favourable decision in July 2015. Such decision was appealed by the Brazilian tax authorities before the CARF who in their favour. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- Santander Brazil has also appealed against infringement notices issued by the tax authorities questioning the tax deductibility of the amortisation of the goodwill arising on the acquisition of Banco Comercial e de Investimento Sudameris S.A. No provision was recognised in connection with this matter as it was considered to be a contingent liability.
- Legal action brought by Sovereign Bancorp, Inc. (currently SHUSA) claiming its right to take a foreign tax credit for taxes paid outside the United States in fiscal years 2003 to 2005 in connection with a Trust created by SHUSA in relation to financing transactions carried out with an international bank. SHUSA considered that, in accordance with applicable tax legislation, it was entitled to recognise the aforementioned tax credits as well as the related issuance and financing costs. In addition, if the final outcome of this legal action were to be favourable to the interests of SHUSA, the amounts paid over by the entity in relation to this matter with respect to 2006 and 2007 would have to be refunded. On 13 November 2015, the District Court Judge found in favour of SHUSA, ordering the amounts paid over with respect to 2003 to 2005 to be refunded. The U.S. Government appealed the decision at the U.S. Court of Appeals for the First Circuit and on 16 December 2016 said Court reversed the District Court's decision as to the economic substance of the Trust transaction and the foreign tax credits claimed for the Trust transaction, and remanded to the District Court for judgment on the refund claim and for a trial limited to the penalties issue. SHUSA is currently considering options available. The estimated loss relating to this litigation was provided for.
- In 2007 the European Commission opened an investigation to the Kingdom of Spain into State aids in connection with Article 12.5 of the preceding Revised Text of the Corporate Tax Law. The Commission adopted, in that regard, the Decision 2011/5/CE of 28 of October 2009, about the acquisition in the 2011/282/UE of 12 January 2011, operations of non-UE investees, ruling that the deduction pursuant to Article 12.5 constituted an illegal State aid. These decisions were subject to appeal by Banco Santander and other companies before the EU General Court. In November 2014, the General Court delivered judgement overriding such decisions, being this judgement subject to cassation appeal before the European Court of Justice by the Commission. In December 2016 the European Court of Justice has delivered judgement upholding the cassation appeal and commanding the return of the file to the General Court, who shall deliver a new judgement assessing the other annulment pleas raised by the petitioners, which, likewise will be subject to an appeal in cassation before the Court of Justice. The Group, in accordance with the advice from its external lawyers, has not recognised provisions for these litigations since they are considered to be a contingent liability.

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

Non tax-related proceedings

As of 31 December 2016, 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.

In August 2010, the UK Financial Services Authority (FSA) (now the Financial Conduct Authority ("FCA")) published a Policy Statement on the valuation and compensation of claims for PPI. The policy established rules

that changed the bases for the analysis and treatment of the claims for PPI sales and increased the amounts to be paid to customers whose claims were ratified.

On 2 August 2016, the FCA issued a new consultative document (CP16/20: Rules and guidance on payment protection insurance complaints: feedback on CP15/39 and further consultation). The document describes the FCA's proposal to address the PPI claims following the UK Supreme Court's ruling on the Plevin v. Paragon Personal Finance Ltd case (Plevin) and includes the recommendation that the period for filing claims should be extended by two years from June 2017, which is later than proposed in CP 15/39 issued by the FCA in November 2015. The document also includes proposals on the calculation of compensation in claims related to Plevin, including considerations on how the participation in benefits should be reflected in the calculation of commissions. These proposed changes may have an impact on the amounts expected to be paid in the future. The definitive policy was expected to be published in December 2016; however, the FCA has announced that the results of the consultation will be delayed until the first quarter of 2017 due to the comments received. In order to determine the amount of the provision, the principles set out in CP 16/20 have been applied to the current assumptions, including the potential impact on the provision in December 2016.

A provision for conduct remediation has been recognised in respect of the misspelling of PPI policies in the UK. This provision has been calculated using the following key assumptions which have required the management to use its judgement:

- number of claims - estimated number of claims;
- percentage of claims lost - estimated percentage of claims that are or will be favourable to the customer; and
- average cost - estimated amount to be paid to customers, including compensation for direct loss plus interest.

These assumptions are based on the following information:

- Full analysis of causes of the claims, probability of success, and the possibility of this probability varying in future;
- Activity recorded with regard to the number of claims received;
- Amount of compensation paid to customers, together with a forecast of the probability of this varying in future;
- The impact on complaints levels of proactive customer contact;
- The effect media coverage and time bar are expected to have on the complaints inflows.

These assumptions are kept under review and regularly compared to the customer information (claims received, percentage of successful claims, impact of changes in the percentage of successful claims and assessment of the customers potentially affected) to ensure their validity.

The most important factor in calculating the provision is the number of claims. The percentage of successful claims is relatively constant and the cost of claims can be predicted with reasonable certainty due to the high number of claims and the uniform characteristics of the customers affected. In calculating the provision, the total number of claims that could be received has been estimated. Experience indicates that claims may be received during a certain number of years.

2016 compared to 2015

An additional £114 million provision charge was made in the fourth quarter of 2016, which represents the best estimate of future PPI, including Plevin related claims costs. With the FCA consultation expected to close in the first quarter of 2017, the Group has assessed the adequacy of the Group's provision and applied the principles published in the August 2016 FCA consultation paper to the Group's current assumptions. The remaining provision

for PPI redress and related costs amounted to £457 million, which includes a £30 million charge made in the third quarter of 2016 for a specific portfolio under a past business review and £114 million in the fourth quarter of 2016 mentioned above.

Monthly utilisation during the year, excluding the impact of past business review activity, was slightly higher than the 2015 average and in line with Group's assumptions. The Group will continue to review its provision levels in respect of recent claims experience and once the final FCA guidance is published.

2015 compared to 2014

When assessing the adequacy of the Group's provision, the Group has applied the November 2015 FCA consultation paper, including the Plevin case, to the Group's current assumptions. This application has resulted in an additional £450 million provision charge for the fourth quarter of 2015, which represents Group's best estimate of the remaining redress and costs. The additional provision is predicated on the probable two-year deadline by which customers would need to make their PPI complaints and the anticipated increase in claim volumes as a result of the finite claim period.

Monthly utilisation, excluding pro-active customer contact, during 2015 was £10 million per month (including related costs), against an average of £9 million in 2014. While the Group saw a reduction in PPI redress costs in the first half of the year, the Group has seen an increase in the third quarter in line with industry trends, with the fourth quarter remaining flat.

The following table shows the main factors to calculate the provisions and the future forecast as well as the sensitivity analysis in the face of future changes:

	Accumulated at December 2016	Future 31 forecast (unaudited figures)	Sensitivity analysis: increases/decreases in provision
Claims received (000) ⁽¹⁾	1,209	1,058	25 = £9m
Claims received for proactive contact (000)	394	15	25 = £19m
% Response to complaints received by proactive contact.....	35%	90%	1% - £0,4m
% Of claims accepted by the Entity ⁽²⁾	57%	69%	1% - £6m
Average compensation by accepted claim	£1,692	£535	£100 = £73m

Notes:

(1) It excludes those invalid claims where the claimant did not have a PPI policy.

(2) It includes both claims received directly from customers and those contacted proactively by the Entity.

- *Delforca 2008 litigation:* Dispute arising from equity swaps entered into by Delforca 2008, Sociedad de Valores, S.A. (formerly Gaesco Bolsa Sociedad de Valores, S.A.) ("**Delforca 2008**") on shares of Inmobiliaria Colonial. An initial arbitration ruled in favour of the Bank, but this ruling was annulled due to issues regarding the president of the tribunal and one of the items of evidence presented by Delforca 2008. Faced with a second arbitration initiated by the Bank, and after the latter had obtained a preventive attachment in its favour (currently waived), Delforca 2008 declared bankruptcy. Prior to this, Delforca 2008 and its parent, Mobiliaria Monesa, S.A., launched other lawsuits claiming damages due to the Bank's actions before civil courts in Madrid, later shelved, and in Santander, currently stayed on preliminary civil ruling grounds.

During the insolvency proceeding, Barcelona Commercial court no. 10 ordered the stay of the arbitration proceeding, the termination of the arbitration agreement, the lack of recognition of the contingent claim and a breach by the Bank, and dismissed the Bank's request to conclude the proceeding due to the non-existence of insolvency. Following the appeals filed by the Bank, the Barcelona Provincial Appellate Court revoked all these decisions, except that relating to the rejection of the conclusion of the proceeding, which gave rise to the resumption of the arbitration process. Delforca 2008 appealed against the decisions confirming the validity of the arbitration agreement and the recognition of the contingent claim in favour of the Bank. Furthermore, Delforca 2008 and its parent have requested from the judge of the insolvency

case the repayment of the security deposit executed by the Bank to settle the swaps. This proceeding has been stayed on preliminary civil ruling grounds. The creditors' meeting has been postponed until the Bank's claim is upheld or dismissed, against which Delforca 2008 has lodged an appeal. The Bank has not recognised any provisions in this connection.

- *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 and, subsequently, at the Federal Supreme Court. The High Employment Court confirmed the judgment against the bank, whereas the Federal Supreme Court 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 Federal Supreme Court in plenary session. The Federal Supreme Court recently handed down a decision on a matter relating to a third party that upholds one of the main arguments put forward by the Bank. The Bank has not recognised any provision in this connection.
- *Planos economicos:* Like the rest of the banking system, Santander Brazil has been the subject of claims from customers, mostly depositors, and of civil 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 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 High Court of Justice and the Federal Supreme Court with which the matter is expected to be definitively settled. In August 2010, the High Court of Justice 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 Federal Supreme Court issued an injunctive relief order whereby the proceedings in progress were stayed until this court issues a final decision on the matter. Various appeals for the Federal Supreme Court are currently being considered in which various matters relating to this case are discussed.
- *Banco Occidental de Descuento litigation:* 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. ("**Banco Occidental de Descuento**") against the Bank for US\$150 million in principal plus US\$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 filed by Banco Occidental de Descuento, 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 filed an appeal to the Constitutional Court. The Bank has not recognised any provisions in this connection.

- *Lehman Group litigation:* The bankruptcy of various Lehman Group companies was made public on 15 September 2008. Various customers of 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.

As of 31 December 2016, certain claims had been filed in relation to this matter. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Group acted as intermediary would not give rise to any liability for it in relation to the insolvency of Lehman. Accordingly, the risk of loss is considered to be remote and, as a result, no provisions needed to be recognised in this connection.

- *Madoff Securities:* The intervention, on the grounds of alleged fraud, of Bernard L. Madoff Investment Securities LLC by the SEC took place in December 2008. The exposure of customers of the Group through the Optimal Strategic U.S. 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.

As of 31 December 2016, certain claims had been filed against Group companies 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. The risk of loss is therefore considered to be remote or immaterial.

- *Swaps by Santander Totta:* 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 entered into between various financial institutions and public sector companies in Portugal, particularly in the public transport industry.

The swaps under debate included swaps entered into by 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 entered into prior to 2008, that is before the start of the financial crisis, and had been executed without incident.

In view of this situation, 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 Santander Totta that they were suspending payment of the amounts owed under the swaps until a final decision had been handed down in the UK jurisdiction in the proceedings. MdL, MdP and Carris suspended payment in September 2013 and STCP did the same in December 2013. Santander Totta extended each of the claims to include the unpaid amounts.

On 29 November 2013, the companies presented their defence in which they claimed that the swaps were null and void under Portuguese law and, accordingly, that they should be refunded the amounts paid.

On 4 March 2016, the Court handed down a judgment in which it upheld all the matters raised by the Bank and declared all the swap agreements to be valid and binding. The transport companies appealed against this decision. The Appellate Court dismissed the appeal through a decision handed down on 13 December 2016, in which it stated that a cassation appeal cannot be filed against this decision. The transport companies have filed an appeal against this decision at the Supreme Court.

Santander Totta and its legal advisers consider that the entity acted at all times in accordance with applicable legislation and under the terms of the swaps. As a result, the Group has not recognised any provisions in this connection.

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 indeterminate amounts, those based on legal issues for which there are no precedents, those that affect a large number of parties or those at a very preliminary stage.

With the information available to it, the Group considers that at 31 December 2016, it had reliably estimated the obligations associated with each proceeding and had recognised, where necessary, sufficient provisions to cover reasonably any liabilities that may arise as a result of these tax and legal situations. It also believes that any liability arising from such claims and proceedings will not have, overall, a material adverse effect on the Group's business, financial position or results of operations.

Additional Information

Share capital

As of the date of this Information Memorandum, Banco Santander has a total share capital which is fully issued and paid up of €7,291,170,350.50 divided into 14,582,340,701 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

Memorandum and articles of association.

Banco Santander's corporate purpose is:

- (i) the conduct of activities and operations and the provision of services of any kind which are typical of the banking business in general and which are permitted under current law; and
- (ii) the acquisition, possession, enjoyment and dispositions of all types of securities, as set out at Article 2 of the bylaws of Banco Santander.

Material Contracts

At the date of this Information Memorandum, no contracts had been entered into that were not in the ordinary course of business of Banco Santander and which could result in any member of the Group being under an obligation or entitlement that is material to Banco Santander's ability to meet its obligations to the Holders.

Credit Ratings

In accordance with the last available public information, Banco Santander has been rated by the rating agencies as follows:

Rating Agency	Short	Long	Perspective
Fitch Ratings ⁽¹⁾	F2	A-	Stable
Moody's ⁽²⁾	P-2	A3	Stable
Standard & Poor's ⁽³⁾	A-2	A-	Positive
DBRS ⁽⁴⁾	R-1 (Low)	A	Stable
Scope Ratings ⁽⁵⁾	S-1	A+	Stable
GBB-Rating ⁽⁶⁾		DD-	Stable

The Instruments to be issued under the Programme are expected to be rated by the rating agencies as follows:

Rating Agency	Short-term Ordinary Senior Instruments	Long-term Ordinary Senior Instruments	Second Ranking Senior Instruments	Subordinated Instruments
Fitch Ratings ⁽¹⁾	F2	A-	A-	BBB+
Moody's ⁽²⁾	P-2	A3	Baa2	Baa2
Standard & Poor's ⁽³⁾	A-2	A-	BBB+	BBB

Notes:

(1) Fitch Ratings España, S.A.U.

(2) Moody's Investor Service España, S.A.

- (3) Standard & Poor's Credit Market Services Europe Limited.
- (4) DBRS Ratings Limited.
- (5) Scope Ratings GmbH
- (6) GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH.

Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms and such rating will not necessarily be the same as the rating assigned to Banco Santander, the Programme or the Instruments already issued under the Programme. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

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

Alternative Performance Measures

Banco Santander considers the following metrics to constitute Alternative Performance Measures as defined in the ESMA Guidelines introduced on 3 July 2016 (ESMA Guidelines) on Alternative Performance Measures, that are not required by, or presented in accordance with, IFRS-EU.

Banco Santander considers that these metrics provide useful information for investors, securities analysts and other interested parties in order to better understand the Group's business, financial position, profitability, results of operations, the quality of its loan portfolio, the amount of equity per share and their progression over time.

Such measures should, however, not be considered as a substitute to profit or loss attributable to the Group or any other performance measures derived in accordance with IFRS-EU or as an alternative to cash flow from operating, investing and financing activities as a measure of the Group's liquidity.

Other companies in the industry may calculate similarly titled measures differently, such that disclosure of similarly titled measures by other companies may not be comparable with that of Banco Santander and the Group. Investors are advised to review these alternative performance measures in conjunction with the Group's audited consolidated financial statements and accompanying notes which are incorporated by reference in this Information Memorandum.

Terms relating to profitability and return on investment measure the ratio of results on capital, assets and risk-weighted assets in accordance with the definitions set out in the table below. The efficiency ratio makes it possible to measure the amount of general administrative expenses (personnel and others) and amortisation expenses necessary to generate income.

Terms relating to the non-performance of loans measure the quality of the loan portfolio and the percentage of the non-performing portfolio that is covered by provisions for defaults, in accordance with the definitions set out in the table below.

Profitability and efficiency

RoE	Return on average equity: result attributed to the Group / average net assets Average net assets defined as average of equity + reserves + retained profit + valuation adjustments (excluding minority interests)
RoTE	Return on tangible equity: result attributed to the Group (average equity + reserves + retained profit + valuation adjustments (excluding minority interests) – goodwill – intangible assets)
RoA	Return on average total assets: consolidated profit / average total assets
RoRWA	Return on risk-weighted assets: consolidated profit / average of risk-weighted assets
Efficiency (including depreciation)	Operating costs / gross margin Operating costs defined as general administrative costs + depreciation

Credit risk

NPL ratio	Non-performing loans and advances to customers and contingent liabilities (excluding country risk) / loans and receivables Loans and receivables defined as total loans and advances to customers and contingent liabilities excluding country risk
Coverage ratio	Provisions for impairment losses on loans and advances to customers and contingent liabilities (excluding country risk) / Non-performing loans and advances to customers and contingent liabilities (excluding country risk)
Cost of loans and receivables	Total allocations to provisions for impairment of loans and receivables in the last 12 months / Average of loans and receivables

Capitalisation

Shareholders' equity per share (euro)	Shareholders' equity / number of shares (deducting own shares) Shareholders' equity calculated as the total own funds + valuation adjustments (excluding minority interests)
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Notes:

- The averages included in the denominators of the RoE, RoTE, RoA and RoRWA are calculated taking 13 months from December to the preceding December in the case of data to December
- The average that is included in the denominator of the cost of loans and receivables is calculated taking the last 12 months
- The risk-weighted assets included in the denominator of the RoRWA are calculated according to the criteria defined in the CRR
- Terms relating to capitalisation measure information on the amount of equity per share, in accordance with the definition set out in the table below.

Reconciliation of Alternative Performance Measures (in millions of euros, except for percentages):

Profitability and efficiency	2016	2015
RoE	7.0%	6.6%
Profit attributed to the Group	6,204	5,966
Average net assets	88,741	90,220
RoTE	10.4%	10.0%
Profit attributed to the Group	6,204	5,966
(Average of equity + reserves + retained profit + valuation adjustments (excluding minority interests) – goodwill – intangible assets)	59,769	59,734
RoA	0.6%	0.5%
Consolidated profit	7,486	7,334
Average total assets	1,337,661	1,345,657
RoRWA	1.3%	1.2%
Consolidated profit	7,486	7,334

Profitability and efficiency	2016	2015
Average of risk-weighted assets.....	580,415	603,000
Efficiency (including depreciation)	48%	47%
Operating costs.....	21,101	21,720
General administrative costs.....	18,737	19,302
Depreciation	2,364	2,418
Gross margin	44,232	45,895
Credit risk	2016	2015
NPL ratio.....	3.9%	4.4%
Non-performing loans and advances to customers and contingent liabilities (excluding country risk)	33,643	37,094
Non-performing loans and advances to customers	32,573	36,133
Other non-performing loans and advances (mainly contingent risks) ⁽¹⁾	1,070	961
Loans and receivables (total loans and advances to customers and contingent liabilities excluding country risk).....	855,510	850,909
Loans and advances to customers	814,863	817,365
Other (mainly contingent risks) ⁽¹⁾	40,647	33,544
Coverage ratio	73.8%	73.1%
Provisions for impairment losses on loans and advances to customers and contingent liabilities (excluding country risk).....	24,835	27,121
Provisions for loans and advances to customers	24,393	26,517
Other provisions (mainly for contingent risks) ⁽¹⁾	442	604
Non-performing loans and advances to customers and contingent liabilities (excluding country risk)	33,643	37,094
Cost of loans and receivables.....	1.18%	1.25%
Allocations to provisions for impairment of loans and receivables in last 12 months	9,518	10,108
Average of loans and receivables	806,595	806,284
Capitalisation	2016	2015
Shareholders' equity per share (euro).....	6.2	6.1
Shareholders' equity.....	90,939	88,040
Own funds.....	105,977	102,402
Valuation adjustments (excluding minority interests)	-15,039	-14,362
Number of shares (deducting own shares)	14,582	14,434

Notes:

- (1) Under "Other" contingent risks that are considered as loans and receivables are included and country risk is deducted. These items do not directly reconcile with information published by the Group.

	2016			2015		
Efficiency	%	Gross margin	Operating expenses	%	Gross margin	Operating expenses
Continental Europe	53.0	12,806	6,781	52.5	12,830	6,736
United Kingdom	51.0	5,816	2,967	52.6	6,382	3,356
Latin America	41.0	18,764	7,692	42.1	18,757	7,906
United States	42.4	7,533	3,197	38.8	7,999	3,025

	2016			2015		
ROE	%	Profit attributable to the Group	Average equity	%	Profit attributable to the Group	Average equity
Continental Europe	7.93	2,599	32,765	7.13	2,218	31,113

	2016			2015		
ROE	%	Profit attributable to the Group	Average equity	%	Profit attributable to the Group	Average equity
United Kingdom	10.25	1,680	16,404	11.5	1,971	17,133
Latin America	15.02	3,386	22,541	14.7	3,193	21,714
United States	2.92	395	13,512	6.05	678	11,213

	2016			2015		
NPL ratio	%	NPLs and advances to customers and contingent liabilities (excluding country risk)	Calculable risk (total loans and advances to customers and contingent liabilities excluding country risk)	%	NPLs and advances to customers and contingent liabilities (excluding country risk)	Calculable risk (total loans and advances to customers and contingent liabilities excluding country risk)
Continental Europe	5.92	19,638	331,706	7.27	23,355	321,395
Spain	5.41	9,361	172,974	6.53	11,293	173,02
Santander Consumer Finance	2.68	2,357	88,061	3.42	2,625	76,688
Poland	5.42	1,187	21,902	6.3	1,319	20,951
Portugal	8.81	2,691	30,540	7.46	2,380	31,922
United Kingdom	1.41	3,585	255,049	1.52	4,292	282,182
Latin America	4.81	8,333	173,150	4.96	7,512	151,302
Brazil	5.90	5,286	89,572	5.98	4,319	72,173
Mexico	2.76	819	29,682	3.4	1,096	32,463
Chile	5.05	2,064	40,864	5.62	1,980	35,213
United States	2.28	2,088	91,709	2.13	1,934	90,727

	2016			2015		
Coverage ratio	%	Provisions for impairment losses on loans and advances to customers and contingent liabilities (excluding country risk)	NPLs and advances to customers and contingent liabilities (excluding country risk)	%	Provisions for impairment losses on loans and advances to customers and contingent liabilities (excluding country risk)	NPLs and advances to customers and contingent liabilities (excluding country risk)
Continental Europe	60.0	11,781	19,638	64.17	14,987	23,355
Spain	48.3	4,517	9,361	48.10	5,432	11,293
	109.1	2,573	2,357	109.1		
Santander Consumer Finance				0	2,864	2,625
Poland	61.0	724	1,187	63.97	844	1,319
Portugal	63.7	1,714	2,691	99.02	2,357	2,380
United Kingdom	32.9	1,178	3,585	38.19	1,639	4,292
Latin America	87.3	7,276	8,333	79.00	5,932	7,512
Brazil	93.1	4,921	5,286	83.73	3,616	4,319
Mexico	103.8	850	819	90.60	993	1,096
Chile	59.1	1,220	2,064	53.86	1,066	1,980

	2016			2015		
		Provisions for impairment losses on loans and advances to customers and contingent liabilities (excluding country risk)	NPLs and advances to customers and contingent liabilities (excluding country risk)		Provisions for impairment losses on loans and advances to customers and contingent liabilities (excluding country risk)	NPLs and advances to customers and contingent liabilities (excluding country risk)
Coverage ratio	%			%		
				225.0		
United States	214.4	4,477	2,088	2	4,354	1,935

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 Banco Santander 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 Santander CP and Banco Santander 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 Santander CP and Banco Santander 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 depository for Euroclear SA/NV 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 SA/NV 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 SA/NV and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear SA/NV 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 Santander CP and Banco Santander 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 Santander CP and Banco Santander pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of Santander CP and Banco Santander and upon the insolvency of Santander CP and/or Banco Santander (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 Santander CP and/or Banco Santander under the Notes rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of Santander CP and/or Banco Santander.

*In the event of insolvency (concurso) of Santander CP and/or Banco Santander, 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 Santander CP and/or Banco Santander (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 Santander CP and/or Banco Santander 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

Banco Santander has, in respect of Notes to be issued by Santander CP, by way of a deed of guarantee dated 21 April 2017 (the "**Deed of Guarantee**") unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander CP on an unsubordinated basis. The obligations of Banco Santander in respect of the guarantee of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of Banco Santander and upon the insolvency of Banco Santander (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 Banco Santander 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 Banco Santander, 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

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

Prescription

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

Yield Basis

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

Authorisations and approvals

The update of the Programme and the issuance of Notes pursuant thereto was authorised by resolutions of the sole shareholder of Santander CP passed on 18 April 2017 and of the Board of Directors of Santander CP passed on 18 April 2017, and by resolutions of the shareholders of Banco Santander passed on 17 April 2017, the Board of Directors of Banco Santander passed on 17 April 2017 and the Executive Committee of Banco Santander passed on 18 April 2017; and the giving of the guarantee of the Notes was authorised by a resolution of the Executive Committee of Banco Santander passed on 18 April 2017.

Each of Santander CP and Banco Santander 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 Santander CP and Banco Santander may decide. Santander CP and Banco Santander shall be responsible for any fees incurred therewith. Santander CP and Banco Santander shall notify the relevant Dealer of any change of listing venue in accordance with the Dealer Agreement. No Notes may be issued on an unlisted basis.

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

Expense of the Admission to Trading

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

Additional Information

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

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

S&P Global Ratings: 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 IN RESPECT OF SANTANDER CP

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)

BANCO SANTANDER, S.A.
(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 amended and restated issuing and paying agency agreement (the "**Agency Agreement**") dated 21 April 2017 (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.

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) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
 - (v) 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, S.A., Luxembourg ("**Clearstream, Luxembourg**", together with Euroclear, the international central securities depositories 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 21 April 2017, entered into by the Issuer).
13. This Global Note has the benefit of a deed of guarantee issued by the Guarantor on 21 April 2017, 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*)

SCHEDULE²
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

² This Schedule should only be completed where the Final Terms specify that the New Global Note form is not applicable.

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

FINAL TERMS

[Completed Final Terms to be attached]

PART B – Form of Multicurrency Definitive Note in respect of Santander CP

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)

BANCO SANTANDER, S.A.
(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 amended and restated issuing and paying agency agreement (the "**Agency Agreement**") dated 21 April 2017 (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.

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) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
 - (v) 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 21 April 2017, copies of which are available for inspection during normal business hours at the office of the Issuing and Paying Agent referred to above.
10. ³[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.

³ 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.

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

"**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
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)]⁴

By:
(Authorised Signatory)

⁴ 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]

PART C – FORM OF MULTICURRENCY GLOBAL NOTE IN RESPECT OF BANCO SANTANDER

THE SECURITIES REPRESENTED BY THIS GLOBAL NOTE 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)

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

All such payments shall be made in accordance with an amended and restated issuing and paying agency agreement (the "**Agency Agreement**") dated 21 April 2017 (as amended and restated or supplemented from time to time) between the Issuer, Santander Commercial Paper, S.A. Unipersonal and Citibank N.A., London Branch as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, in the case of a Global Note denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union.

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

2. If the Final Terms specify that the New Global Note form is applicable, this Global Note shall be a "**New Global Note**" or "**NGN**" and the aggregate Nominal Amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs (as defined

below). The records of the ICSDs (which expression in this Global Note means the records that each ICSD holds for its customers which reflect the amount of such customers' interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD)) shall be conclusive evidence of the aggregate Nominal Amount of Notes represented by this Global Note and, for these purposes, a statement issued by an ICSD (which statement shall be made available to the bearer upon request) stating the aggregate Nominal Amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the ICSD at that time.

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

3. All payments in respect of this Global Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any taxing authority or agency thereof or therein ("**Taxes**"). If the Issuer or any agent thereof is required by law or regulation to make any deduction or withholding for or on account of Taxes, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Global Note or the holder or beneficial owner of any interest herein or rights in respect hereof (each, a "**Beneficial Owner**") after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that the Issuer shall not be required to pay any additional amounts in relation to any payment:
 - (i) to, or to a third party on behalf of, a Beneficial Owner of a Note who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Spain other than the mere holding of such Note; or
 - (ii) to, or to a third party on behalf of, a holder in respect of whose Notes the Issuer does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or
 - (iii) in respect of any Note presented for payment more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of fifteen days; or
 - (iv) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
 - (v) 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 may at any time purchase Notes in the open market or otherwise and at any price *provided that* all unmatured interest coupons (if this Global Note is an interest bearing Global Note) are purchased therewith.
6. All Notes so purchased by the Issuer otherwise than in the ordinary course of business of dealings in securities or as a nominee shall be cancelled and shall not be reissued or resold. All Notes so purchased by any subsidiary of the Issuer may be cancelled, held by such subsidiary or resold.
7. On each occasion on which:
- (i) *Definitive Notes:* Notes in definitive form are delivered; or
- (ii) *Cancellation:* Notes represented by this Global Note are to be cancelled in accordance with paragraph 6,

the Issuer shall procure that:

- (a) if the Final Terms specify that the New Global Note form is not applicable, (i) the aggregate principal amount of such Notes; and (ii) the remaining aggregate Nominal Amount of Notes represented by this Global Note (which shall be the previous aggregate Nominal Amount hereof less the aggregate of the amount referred to in (i) above) are entered in the Schedule hereto, whereupon the aggregate Nominal Amount of Notes represented by this Global Note shall for all purposes be as most recently so entered; and
- (b) if the Final Terms specify that the New Global Note form is applicable, details of the exchange or cancellation shall be entered pro rata in the records of the ICSDs and the aggregate Nominal Amount of the Notes entered in the records of the ICSDs and represented by this Global Note shall be reduced by the principal amount so exchanged or cancelled.
8. The payment obligations of the Issuer represented by this Global Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency of the Issuer (and unless they qualify as subordinated debts 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, S.A., 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) 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 21 April 2017, entered into by the Issuer).

13. If this is an interest bearing Global Note, then:
- (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Global Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in paragraph 1 shall be payable on such fifteenth day;
 - (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Global Note, the Issuer shall procure that:
 - (i) if the Final Terms specify that the New Global Note form is not applicable, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment; and
 - (ii) if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered pro rata in the records of the ICSDs.
14. If this is a fixed rate interest bearing Global Note, interest shall be calculated on the aggregate Nominal Amount as follows:
- (a) interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, Australian Dollars or Canadian Dollars, 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards); and
 - (b) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an "Interest Period" for the purposes of this paragraph.
15. If this is a floating rate interest bearing Global Note, interest shall be calculated on the aggregate Nominal Amount as follows:
- (a) in the case of a Global Note which specifies LIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. The Rate of Interest determined for any Interest Period by reference to LIBOR shall be subject to a floor of zero to ensure that the Rate of Interest on any Interest Period for Floating Rates Notes is not negative. Interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days.

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

"**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*).
16. Instructions by the Issuer expressing its intention to pay the relevant interest amounts, less any necessary withholding must be received at the office of the Issuing and Paying Agent referred to above together with this Global Note as follows:
- (a) if this Global Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;
 - (b) if this Global Note is denominated in United States dollars, Canadian dollars, 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.

17. Upon any payment being made in respect of the Notes represented by this Global Note, the Issuer shall procure that:
- (a) *CGN*: if the Final Terms specify that the New Global Note form is not applicable, details of such payment shall be entered in the Schedule hereto and, in the case of any payment of principal, the aggregate Nominal Amount of the Notes represented by this Global Note shall be reduced by the principal amount so paid; and
 - (b) *NGN*: if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered pro rata in the records of the ICSDs and, in the case of any payment of principal, the aggregate Nominal Amount of the Notes entered in the records of the ICSDs and represented by this Global Note shall be reduced by the principal amount so paid.
18. This Global Note shall not be validly issued unless manually authenticated by Citibank N.A., London Branch as Issuing and Paying Agent.
19. If the Final Terms specify that the New Global Note form is applicable, this Global Note shall not be valid for any purpose until it has been effectuated for and on behalf of the entity appointed as common safekeeper by the ICSDs.
20. The status of this Global Note, the capacity of the Issuer and the relevant corporate resolutions shall be governed by Spanish law. This Global Note and any non-contractual obligations arising out of or connected with it are governed by, and construed in accordance with, English law.
- (a) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with this Global Note (including a dispute relating to any non-contractual obligations arising out of or in connection with this Global Note or a dispute regarding the existence, validity or termination of this Global Note or the consequences of its nullity).
 - (b) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
 - (c) *Rights of the bearer to take proceedings outside England*: Paragraph 21(a) (*English courts*) is for the benefit of the bearer only. As a result, nothing in this paragraph 20 prevents the bearer from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.
 - (d) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London NW1 3AN or at any address of the Issuer in Great Britain at which service of process may be served on it. Nothing in this sub-paragraph shall affect the right of the bearer to serve process in any other manner permitted by law.

21. The Notes represented by this Global Note have been admitted to listing on the official list of the Irish Stock Exchange Plc (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.
22. Claims for payment of principal and interest in respect of this Global Note shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date.
23. No person shall have any right to enforce any provision of this Global Note under the Contracts (Rights of Third Parties) Act 1999.

AUTHENTICATED by

Signed on behalf of:

CITIBANK N.A., LONDON BRANCH

BANCO SANTANDER S.A.

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)

SCHEDULE⁵
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

⁵ This Schedule should only be completed where the Final Terms specify that the New Global Note form is not applicable.

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

FINAL TERMS

[Completed Final Terms to be attached]

PART D – FORM OF MULTICURRENCY DEFINITIVE NOTE IN RESPECT OF BANCO SANTANDER

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

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

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

All such payments shall be made in accordance with an amended and restated issuing and paying agency agreement (the "**Agency Agreement**") dated 21 April 2017 (as amended and restated or supplemented from time to time) between the Issuer, Santander Commercial Paper, S.A. Unipersonal and Citibank N.A., London Branch as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, if this Note is denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union.

2. All payments in respect of this Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions, and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any taxing authority or agency thereof or therein ("**Taxes**"). If the Issuer or any agent thereof is required by law or regulation to make any deduction or withholding for or on account of Taxes, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Note (the "**holder**") after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence

of such deduction or withholding, except that the Issuer shall not be required to pay any additional amounts in relation to any payment:

- (i) to, or to a third party on behalf of, a holder of a Note who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Spain other than the mere holding of such Note; or
- (ii) to, or to a third party on behalf of, a holder in respect of whose Notes the Issuer does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations; or
- (iii) in respect of any Note presented for payment more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of fifteen days; or
- (iv) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or
- (v) 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 or any its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured interest coupons (if this Note is an interest bearing Note) are purchased therewith.
5. All Notes so purchased by the Issuer otherwise than in the ordinary course of business of dealings in securities or as a nominee shall be cancelled and shall not be reissued or resold. All Notes so purchased by any subsidiary of the Issuer may be cancelled, held by such subsidiary or resold.
6. The payment obligations of the Issuer represented by this Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency of the Issuer (and unless they qualify as subordinated debts 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. ⁶[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

⁶ If this Note is denominated in Sterling, delete paragraphs 9 through 12 inclusive and replace with interest provisions to be included on the reverse of the Note as indicated below.

- (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.
10. If this is a fixed rate interest bearing Note, interest shall be calculated on the above-mentioned Nominal Amount as follows:
- (a) interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Note is denominated in Australian Dollars or Canadian Dollars, 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards); and
 - (b) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an "**Interest Period**" for the purposes of this paragraph.
11. If this is a floating rate interest bearing Note, interest shall be calculated on the above-mentioned Nominal Amount as follows:

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

"**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*).

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

- (a) if this Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;
- (b) if this Note is denominated in United States dollars, Canadian dollars or Euro, on or prior to the relevant payment date; and
- (c) in all other cases, at least one Business Day prior to the relevant payment date.

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

- (i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;
- (ii) in the case of payments in Euro, a TARGET Business Day; and
- (iii) in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency set out in the Final Terms.

13. This Note shall not be validly issued unless manually authenticated by Citibank N.A., London Branch as Issuing and Paying Agent.
14. The status of this Definitive Note, the 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 21(a) (*English courts*) is for the benefit of the bearer only. As a result, nothing in this paragraph 14 prevents the bearer from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.
- (d) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London NW1 3AN or at any address of the Issuer in Great Britain at which service of process may be served on it. Nothing in this sub paragraph shall affect the right of the bearer to serve process in any other manner permitted by law.
15. If this Note has been admitted to listing on the official list of the Irish Stock Exchange Plc (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).
16. Claims for payment of principal and interest in respect of this Note shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date.
17. No person shall have any right to enforce any provision of this Note under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS] - The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II") or (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Final Terms dated [•]

Santander Commercial Paper, S.A. Unipersonal

Banco Santander, S.A.

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

**guaranteed, in the case of Notes issued by Santander Commercial Paper, S.A. Unipersonal, 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 21 April 2017 (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 Santander Commercial Paper, S.A. Unipersonal, Banco Santander, S.A., the Programme and certain other matters. These Final Terms are supplemented to and must be read in conjunction with the full terms and conditions of the Notes. These Final Terms are also a summary of the terms and conditions of the Notes for the purpose of listing.

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

The 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 subparagraphs. Italics denote guidance for completing the Final Terms.]

1. (i) Issuer: [Santander Commercial Paper, S.A.
Unipersonal/Banco Santander S.A.]

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

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-------|---|--|
| 13. | Fixed Rate Note Provisions | [Applicable/Not applicable]

<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (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.] ⁸ |
| (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]

<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |

⁷ Delete this row in the case of Notes being issued by Banco Santander S.A..

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.

- (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]*⁹
- (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.]⁹
- (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.]*

⁹ 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.

- | | | |
|-----|--|--|
| 17. | Clearing System(s): | Euroclear S.A./N.V. [./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 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 would allow Eurosystem eligibility: | <p>[Yes.][No.][Not applicable.]</p> <p>[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]</p> <p>[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]]</p> |

LISTING AND ADMISSION TO TRADING APPLICATION

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

RESPONSIBILITY

The Issuer accepts 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] [is/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]]

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

[In the case where the Japanese offerees are limited to Qualified Institutional Investors only (the Issuer must appoint its attorney in Japan):

[The Notes have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements since the offering constitutes the private placement to qualified institutional investors only as provided for in "i" of Article 2, Paragraph 3 or 4, Item 2 of the FIEA.

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

[In the case where the Japanese offerees are fewer than 50:

[The Notes have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in "ha" of Article 2, Paragraph 3 or 4, Item 2 of the FIEA.

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

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

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

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 will be taxed at the rate of 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,000 and €50,000 and 23 per cent. for taxable income in excess of €50,000.

According to Section 44.5 of Royal Decree 1065/2007, of 27 July, as amended, and in the opinion of Santander CP and Banco Santander, Santander CP and/or Banco Santander (as applicable) 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 Santander CP and Banco Santander under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities. In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

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

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

Individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000 for 2017. Therefore, they should take into account the value of the Notes which they hold as of 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. The autonomous communities may have different provisions on this respect.

In accordance with article 4 of Royal Decree-Law 3/2016, of 2 December, a full tax credit (*bonificación del 100 per cent.*) on Wealth Tax will apply in 2018.

(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 per cent. and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) do determine the final effective tax rate that currently range between 0 per cent. and 81.6 per cent.

2. **Legal Entities with Tax Residence in Spain**

(a) **Corporate Income Tax (Impuesto sobre Sociedades)**

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT in accordance with the rules for this tax. The current general tax rate of 25 per cent., however, does not apply to all corporate income tax payers and, for instance, does not apply to banking institutions.

In accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July, as amended, and in the opinion of the Santander CP and Banco Santander, 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, Santander CP and/or Banco Santander (as applicable) 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 Santander CP and Banco Santander under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent., withholding that will be made by the depositary or custodian, if the Notes do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (Dirección General de Tributos) dated 27 July 2004 and require a withholding to be made.

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

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

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

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

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

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

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

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

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

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

(ii) *With no permanent establishment in Spain*

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

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner detailed under "— Information about the Notes in Connection with Payments" as laid down in section 44 of Royal Decree 1065/2007, as amended. If these information obligations are not complied with in the manner indicated, Santander CP and/or Banco Santander (as applicable) will withhold 19 per cent. and will not pay additional amounts.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where Santander CP and Banco Santander do 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 per cent. and 2.5 per cent.

In accordance with article 4 of Royal Decree-Law 3/2016, of 2 December, a full tax credit (*bonificación del 100 per cent.*) on Wealth Tax will apply in 2018.

Non-Spanish resident legal entities are not subject to Wealth Tax.

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

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over Notes by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and state rules, unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant double tax treaty will apply.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), except as provided in any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Holder.

4. **Tax Rules for Notes not Listed on an Organised Market in an OECD Country**

4.1 **Withholding on Account of IIT, CIT and NRIT**

If the Notes are not listed on an organised market in an OECD country on any Payment Date, payments to Holders in respect of the Notes will be subject to withholding tax at the current rate of 19 per cent., except in the case of Holders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, provided that such Holders (i) do not obtain the interest income on the Notes through a permanent establishment in Spain and (ii) are not resident of, or are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991, of 5 July, as amended) or (b) resident for tax purposes of a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to interest payable to any Holder.

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

See "*Taxation – Taxation in Spain – Individuals with Tax Residency in Spain – Net Wealth Tax (Impuesto sobre el Patrimonio)*" and "*Taxation – Taxation in Spain – Individuals and legal entities with no tax residency in Spain – Net Wealth Tax (Impuesto sobre el Patrimonio)*".

5. **Tax Rules for Payments Made by Banco Santander**

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

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 Santander CP and/or Banco Santander 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, Santander CP and/or Banco Santander (as applicable) 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, Santander CP, Banco Santander 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 Santander CP and/or Banco Santander (as applicable) on each Payment Date, Santander CP and/or Banco Santander (as applicable) will withhold tax at the then-applicable rate (as at the date of this Information Memorandum 19 per cent.) from any payment in respect of the relevant Notes. Neither Santander CP nor Banco Santander 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, Santander CP or Banco Santander (as applicable) will reimburse the amounts withheld.

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

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1. En relación con los apartados 3 y 4 del artículo 44:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores.....

1.1 Identification of the securities.....

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados).....

- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 **Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....
- 1.5 **Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
2. **En relación con el apartado 5 del artículo 44.**
2. In relation to paragraph 5 of Article 44.
- 2.1 **Identificación de los valores.....**
- 2.1 Identification of the securities.....
- 2.2 **Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated)
- 2.3 **Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro ena dede

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

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

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

SUBSCRIPTION AND SALE

1. General

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

2. United States of America

The Notes and the Deed of Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. The Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold, and will not offer and sell, Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche as determined and certified by the relevant Dealer, within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, the Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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

3. Prohibition of Sales to EEA Retail Investors

From 1 January 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

4. **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 to Santander CP and Banco Santander, 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 Santander CP and/or Banco Santander (as applicable);

(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 Santander CP or, in the case of Banco Santander, would not apply to Banco Santander 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.

5. **Japan**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) 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 Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

6. **Kingdom of Spain**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered, sold or distributed, nor will 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 approved by Legislative Royal Decree 4/2015, of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended, or without complying with all legal and regulatory requirements under Spanish securities laws. Neither the Notes nor this Information Memorandum have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore this Information Memorandum is not intended for any public offer of the Notes in Spain.

7. **Republic of France**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Information Memorandum, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

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) (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 (as amended);
- (b) the Irish Companies Act 2014 (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 Irish Companies Act 2014 (as amended);
- (c) the Irish Central Bank Acts 1942 to 2015 and any codes of conduct rules made under Section 117(1) of the Irish Central Bank Act 1989 (as amended) or any regulations made pursuant to Part 8 of the Central Bank (Supervision and Enforcement Act) 2013 (as amended);
- (d) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) (the "**Prospectus Regulations**") and any rules issued under Section 1363 of the Irish Companies Act 2014 by the Central Bank of Ireland (the "**Central Bank**");
- (e) the provisions of the European Union Market Abuse Regulations 2016, Regulation (EU) No. 596/2014 of the European Parliament and of the council of 16 April 2014 on market abuse and any rules issued under Section 1370 of the Irish Companies Act 2014 by the Central Bank and will assist the Issuer in complying with its obligations thereunder; and
- (f) (for Notes offered or sold with a maturity of less than 12 months) in full compliance with Central Bank Notice BSD C 01/02.

GENERAL INFORMATION

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear SA/NV and Clearstream, Luxembourg and may from time to time be made eligible via other clearing systems. The appropriate common code (if held at Euroclear SA/NV 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 21 April 2017. 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 Santander CP and Banco Santander and the relevant Dealer(s) may agree. No Notes may be issued pursuant to the Programme on an unlisted basis.

No Significant or Material Change

There has been no significant change in the financial or trading position of, and no material change in the prospects of, Banco Santander or the Group since 31 December 2016, save as disclosed in "*Recent Developments*" above.

Material Contracts

During the two years prior to the date of this Information Memorandum, neither Santander CP nor Banco Santander has been a party to any contracts that were not entered into in the ordinary course of business of Santander CP and Banco Santander and which was material to the Group as a whole.

Documents on Display

Electronic or physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the office of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK, at the registered office of S and the head office of Banco Santander (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain) for the life of this Information Memorandum:

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

Statutory Auditors

The non-consolidated and consolidated annual financial statements of Santander CP and Banco Santander for the year ended 31 December 2016 were audited by PricewaterhouseCoopers Auditores S.L., the Group's current independent auditors. PricewaterhouseCoopers Auditores S.L. is registered under number S0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) and is a member of the *Instituto de Censores Jurados de Cuentas de España*. The registered office of PricewaterhouseCoopers Auditores S.L. is Torre PwC, Paseo de la Castellana 259 B, 28046, Madrid, Spain.

The non-consolidated and consolidated annual financial statements of Santander CP and Banco Santander for the year ended 31 December 2015 were audited by Deloitte, S.L., the Group's predecessor independent auditors. Deloitte, S.L. is registered under number S0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) and is a member of the *Instituto de Censores Jurados de Cuentas de España*. The registered office of Deloitte, S.L. is Plaza Pablo Ruiz Picasso, 1, Madrid, Spain.

Deloitte S.L. was not re-appointed in the general shareholders' meeting held on 18 March 2016 and PricewaterhouseCoopers Auditores, S.L. were appointed as new auditors of the Group for a period of three years.

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A&L Listing Limited
International Financial Services Centre
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*To Santander CP and Banco Santander as to
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To the Dealers as to English and Spanish law

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